Respects THE GLOBE *Respected* GLOBALLY

Arçelik A.Ş.

2011 ANNUAL REPORT

Honesty, integrity, and superior business ethics are the foundations of our business conduct.

We conduct our business based on good intentions, mutual benefit, and fair treatment in all our relationships. We are committed to conforming at all times to the highest ethical and legal standards. We are a leader in serving our society and safeguarding the interests of future generations. Protection of the environment and promotion of a higher level of environmental awareness are our duty to both our country and our planet.

Vehbi Koç

Respects THE GLOBE *Respected* GLOBALLY

Arçelik Group's vision of "Respects The Globe, Respected Globally" aims to achieve profitable and sustainable growth; to increase market share in its target market; the globe; to reach more consumers in a fast-changing world with innovative products and services; to safeguard the future with corporate responsibility; and to integrate and optimize the components of the global organization while becoming a global group.

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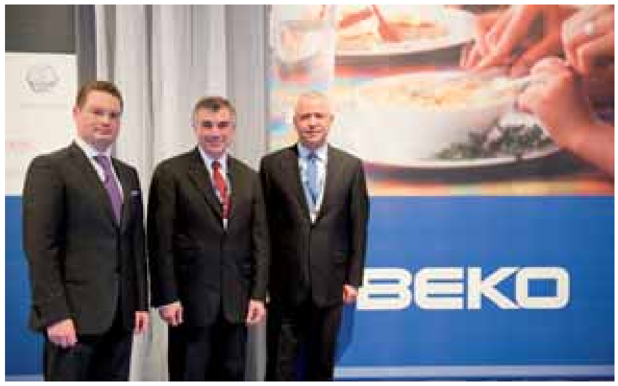


JANUARY FEBRUARY MARCH APRIL MAY JUNE

JANUARY - MARCH

Beko, already title sponsor of the German Basketball League, sponsors the Beko Basketball Bundesliga All Star event for the second time.

Beko showcased its latest high-tech products at the international kitchen fair "LivingKitchen" that premiered in Cologne.

The "Arçelik Concept Store," which covers 1,000 square meters, opened in Izmir.

More than 1,400 authorized dealers attended the 4th Beko Authorized Dealers Meeting in Istanbul.

APRIL - JUNE

Beko celebrates its 21th year in the UK market, in which it has sold over 15 million products to date.

The Research and Development Department celebrates its 20th year.

Engineers who invented innovative technologies are awarded during the 13th Invention Day.

Arçelik introduces the 8123 ER Silent-Tech and ultra silent washing machine; A-50% energy efficient than A class.

JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

JULY - SEPTEMBER

Grundig becomes the "Official Technology Partner of the Bundesliga (German Football League)."

Beko becomes "Presenting Sponsor" of the FIBA European Basketball Championship held in Lithuania, thus becoming the largest sponsor to present the championship to the world.

Beko and Grundig showcase their latest high-tech products at the IFA, Europe's largest electronics fair.

An international team of 12 Arçelik employees climbs on Mount Kilimanjaro to draw attention to global warming and the ongoing drought in Africa.

OCTOBER - DECEMBER

Arçelik A.Ş. acquires Defy Appliances Pty Ltd., South Africa's leading household appliances producer. A Taiwan office is opened to develop procurement and technological activities in the Far East.

Continuing to support basketball, Beko becomes the title sponsor of the Lithuanian Basketball League.

Grundig becomes the main sponsor of the Fenerbahçe Male Volleyball Team.

Arçelik A.Ş., term speaker and member of the Turkish Climate Platform (part of the Corporate Leaders Network for Climate Action), signs the "The 2°C Challenge Communiqué."

Beko introduces 62 products to the Australian market during a launch held in Sydney.

Grundig welcomes its dealerships from Germany to Turkey.

The 2010 Sustainability Report is published with a "B+" application level, in accordance with the Global Reporting Initiative (GRI) G3 Principles.

For the first time in Turkey, "Arçelik Home Appliances Laboratories" are established in four schools as part of the "Technical Education Program" of Arçelik.

“Arçelik reached a consolidated turnover of 8.4 billion Turkish lira and a net profit of 541 million Turkish lira in 2011.”

Esteemed Shareholders,

Welcome to our Ordinary General Shareholders Meeting. I would like to welcome you on behalf of our Board of Directors and myself.

We welcomed 2011 with high hopes as the year before brought significant economic recovery. However, the ramifications of natural disasters, political and economic downturns on a global scale revealed that the plateau reached in 2010 had hurdles of its own. The crisis in Europe took hold during a period of increased global economic anxiety, due to the downgrading of the USA’s credit rating, the leading economy of the world.

The crisis sparked by Greece and Portugal’s national debt affected many EU countries. Growth forecasts for developed countries were cut as the growth of developing countries slowed down. But probably most importantly, 2011 showed that the European Union needed to be reconstructed.

In 2011, developing countries experienced a growth of 6.4 percent while developed countries grew 2.2 percent. In turn, Turkey’s economy is expected to grow around 8 percent. The government’s strong fiscal discipline resulted in one of the best budget results of recent years. Export figures rose to $135 billion. The rise in export figures gains even more importance in light of the ongoing crisis our largest trading partner, the EU, is facing.

Parties abroad also took notice of our healthy economic picture: Standard and Poor's raised Turkey's local-currency credit rating to "BBB-". While a good sign, it is still lower than the credit ratings of G-20 member countries such as Brazil, Indonesia, South Korea and South Africa, with whom Turkey competes on a global basis. Despite developments in economic stability, our credit ratings still fail to reach desired levels.

This is mainly caused by the ongoing inflation and current account deficit, two structural deficiencies that are deeply ingrained in our economy. Inflation again rose to double-digit numbers when it buckled under the pressure of commodity prices and exchange rates. The budget deficit in turn surpassed $79 billion.

Industries and production structure are deeply affected by the global disappearance of borders, the rise in communication, the increasing affordability of technology and the increased role social media plays in our daily life. Transfer of technical know-how and licensing agreements allows production to be implemented on a more global scale.

I believe that companies who implement R&D strategies to develop technology and who put an emphasis on innovation will thrive in the industry's competitive environment, while the rate of industry mergers and acquisitions will continue to increase.

Arçelik closely monitors these developments and determinedly continues on its path to become a global company. As part of this, we have implemented important resolutions in 2011. Arçelik's acquisition of Defy, one of the strongest companies of Southern Africa, to gain access to Sub-Saharan countries was also a significant investment for Koç Group.

These successful steps resulted in an 8.4 billion Turkish lira consolidated turnover and a net profit of 541 million Turkish lira for Arçelik in 2011.

In 2012, Arçelik will continue to implement operations centered around sustainable growth and global operations. I believe that Arçelik's market share of over 50 percent in Turkey and its leading position in Europe's home appliances market will play an important role in its rise on the global stage.

I would like to offer my deepest gratitude to all our colleagues, dealers, suppliers, supply industry companies, business partners, and customers all of which have contributed to Arçelik's ongoing success. Wishing a peaceful and profitable 2012, I extend my kindest regards to all of you.

RAHMİ M. KOÇ
Chairman
Arçelik A. Ş.

Esteemed Shareholders, Business Partners and Colleagues,

The year 2011 proved to be a period of hardship for the world's economy. The public debt crisis in the Eurozone left its mark on the global economy. The problems in Greece especially popularized a cautious approach that shunned risks and sped up the flight of capital from developing countries. To compensate for this and to boost growth, central banks changed their monetary policies; unfortunately, inflation rates surpassed projected figures. The crisis inevitably affected both the financial as well as the real sector.

Growth projections for 2012 were scaled down in light of the expected global economic turndown. It is expected that the Eurozone will experience a slight recession because of its ongoing debt crisis, with developing countries also facing a decreased growth rate because of their commercial and financial ties to the zone.

The white goods sector continued to grow in Turkey and the world.

The white goods sector in which we operate experienced a global growth when compared to last year. Eastern European market and developing countries grew, despite weak and even declining performance of Western European countries. The consumer confidence index took a turn for the worse in the second period of the year, with demand in some European countries waning. Our industry showed limited growth, in part because of these developments. The increase in raw material prices reflected in lower profit margins. In comparison, Turkey's increased demand resulted in a record- breaking growth of 6,5 million units in the white goods market. The built-in appliances market grew 31 percent when compared to 2010. Built-in oven and dishwasher categories showed the strongest growth. Retail sales of air conditioners remained the same as last year. The LCD TV market grew 50 percent compared to 2010, fueled by the ever-increasing transition to flat panel displays.

Our brands continued to increase their market shares in many categories.

In 2011, thanks to our brands, we increased our shares in most of our markets. Our growth in Turkey was above industry standards, helping us maintain our leading position in the categories of LCD TVs, air conditioners, white goods and built-in appliances. We also increased our market share in the shrinking PC market. Arçelik's growing success was also evident in the international market; based on unit sales, our company placed third among 26 Western and Eastern European market countries, including Turkey.

We posted the highest growth rate in Western Europe's white goods market. We became market leaders in the UK market's washing machine segment thanks to our Beko brand, which already dominated UK's freezer and refrigerator markets. We retained our undisputed lead in the Romanian market due to the continued success of our brand Arctic. Beko helped us become the company with the highest growth in France and Poland's white goods market.

With the contribution of our brand Grundig, we achieved a 40 percent turnover growth in consumer electronics and gained market shares in Germany and Nordic countries. We increased our activities in target markets such as Africa, the Middle East and the Commonwealth of Independent States, resulting in an increase of turnover and unit sales. Our successful financial results for 2011 once again demonstrate that our strategies and policies have paid off. Our consolidated turnover increased 21.6 percent and reached 8.4 billion Turkish lira. Our international sales made up 53 percent of our turnover.

We have taken important steps in expanding global presence.

We have taken important steps in our bid for global presence, in line with our 2011 strategies and policies. We have established our subsidiaries Beko Australia and Beko New Zealand after signing an agreement with Australia's biggest supply chain. We opened our Taiwan office to develop our procurement and R&D activities in the Far East. We acquired Defy Appliances Ltd., the leading household appliances company of South Africa and a key component of our growth strategy for the African continent. Through Defy we plan to gain access to new markets in the African continent and make the most of the potential of Sub-Saharan countries.

We contribute to our innovation and sustainability goals with our R&D investments.

Our R&D Department, which celebrated its 20th year in 2011, plays a key role in our current sustainable competitiveness and has contributed immensely to Arçelik's global leading position with innovative products that were developed using its unique technological know-how. With the patents that were granted to our company as a result of investments allocated to R&D, we have taken our place as the only Turkish company amongst the "Top 500 Companies" filing applications to the World Intellectual Property Organization, ranked as 95th in the list. We developed innovative production solutions to conserve resources as part of our sustainability approach. We produced Turkey's first A+++ energy class No-Frost refrigerator, the most energy-efficient model of its kind in the world; the first and only A++ energy class dishwasher with six liter water consumption and a dish capacity for 13 sets; and the first A++ energy class 45 cm dishwasher with nine liter water consumption and a dish capacity for 10. We also added a dryer that consumes 50 percent less energy than class A models, and a steam-assisted dishwasher to our product line.

We continued to operate on an environmentally-conscious and socially responsible level.

We have continued to operate on an environmentally-conscious and socially responsible levels, as part of our company's sustainability approach that completes and makes our "Respects the Globe, Respected Globally" vision possible. We continued to implement environmental management mechanisms in all our operations. We strived to reduce waste production in our facilities, to recycle waste products and to reduce our greenhouse emissions as part of our annual improvement goals. We calculated the 2010 Greenhouse Gas emissions, sourced by our Headquarters and production facilities in Turkey in accordance with ISO 14064-1 GHG Emission Reporting Standard and our values were verified by an independent accredited organization.

In 2010, eight of our plants were awarded a "gold certificate" as a result of the energy efficiency practices that we implement in all our plants. This was a first in the global white goods industry. And in 2011, our refrigerator, washing machine, cooking appliances and compressor plants surpassed this record by receiving the "platinum certificate," again a first in the global white goods industry. Our plant in China also received a "gold certificate."

In 2011, we continued to support domestic and international campaigns aimed at combatting global climate change. We became a member and term speaker of the "Turkish Climate Platform of the Corporate Leaders Network for Climate Action," a movement aiming to implement domestic and international policies to pioneer the transition to low carbon economies. We signed "The 2˚C Challenge Communiqué" that specifies guidelines to limit the global threat of climate change to 2 degrees. We represented Turkey during The United Nations Climate Change Conference held in Durban, South Africa.

In 2011, we continued to contribute to society through social responsibility projects conducted with the help of our employees, authorized dealers and services.

We will firmly continue to implement our vision of becoming a global player.

The uncertainties that 2012 poses demand that we tread cautiously during this period. But I am confident that we will make the best use of opportunities, based on our experience and the competitive edge our flexible and rapid business model provides us.

We will continue to pursue our goal of becoming a global player as part of the vision that will carry our company into the future; by investing into technology, R&D, innovation and human resources; and by focusing on new markets and increasing our presence in existing ones.

I would like to thank all the stakeholders: Our employees, authorized dealers, authorized services, suppliers and business partners for the profound impact they have had on Arçelik's success; our customers for the confidence they have shown in our products; and our shareholders for their unwavering support.

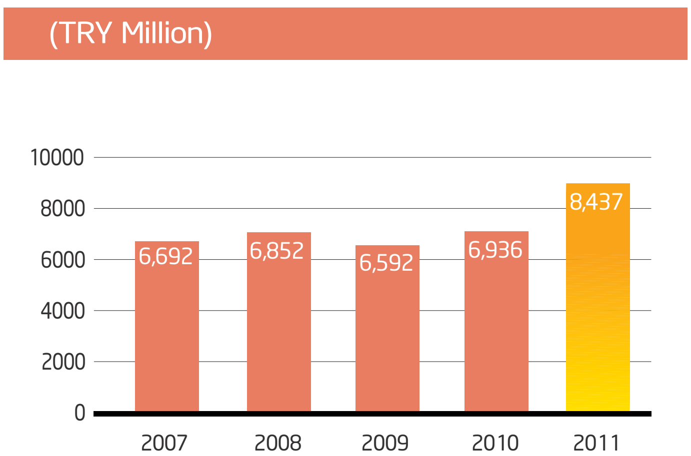
Sincerely,

LEVENT ÇAKIROĞLU
General Manager
Arçelik A. Ş.

- The consolidated net sales turnover for Turkish lira 8,437 million in 2011, an increase of **21.6** percent for total consolidated sales when compared to 2010.
- The consolidated operating profit for 2011 was **646 million Turkish lira,** while net profit amounted to **Turkish lira 541 million.**
- International sales made up **53 percent** of consolidated sales for 2011.

Net Sales
2011
8,437
TRY million

Net sales



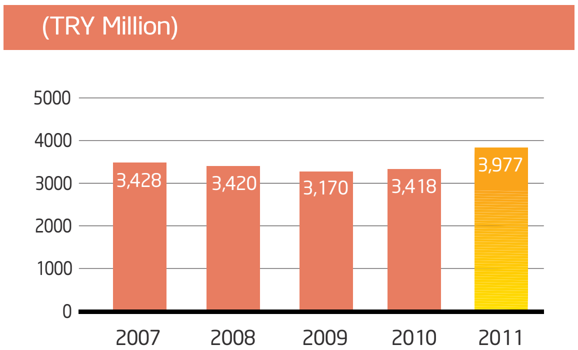
Operating Profit

646 TRY million

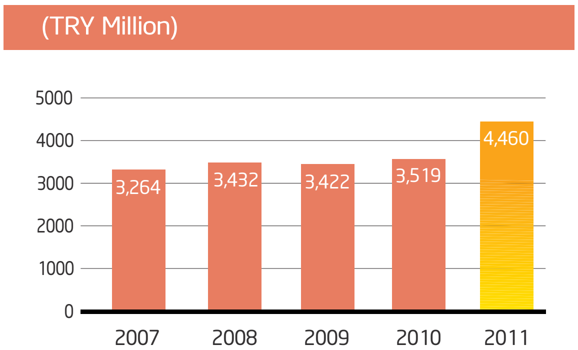
Net Profit

541 TRY million

Net sales - Turkey

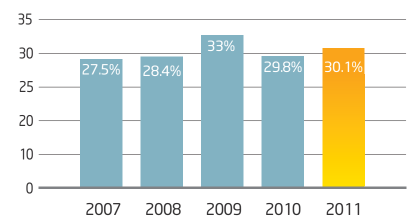


Net sales - International



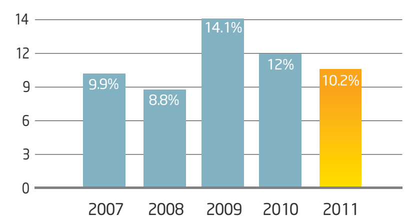
Gross Profit Margin

(%)



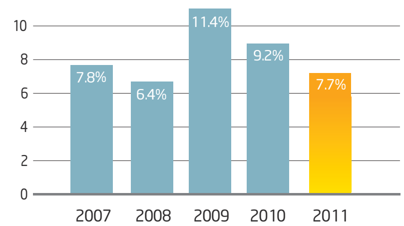
Earnings before Interest, Taxes and Amortization

(%)



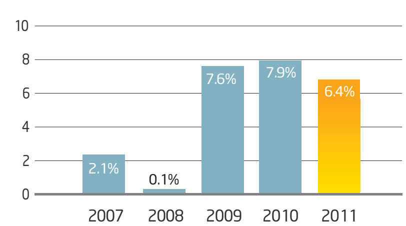
Operating Profit Margin

(%)



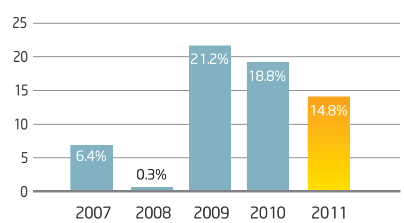
Net Profit Margin

(%)



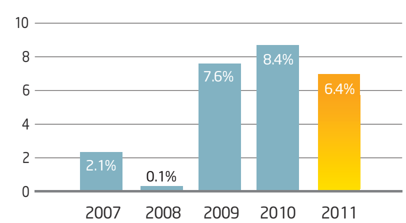
Return on Equity

(%)



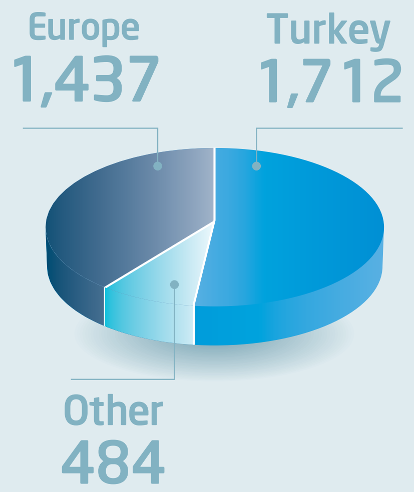
Return on Assets

(%)



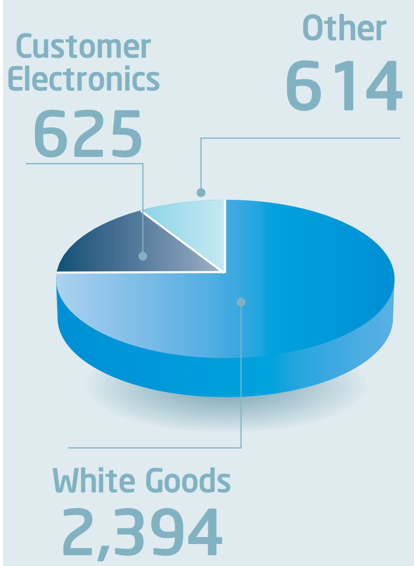
Regional Distribution of Net Sales

Million Euro 2011



Net Sales by Product Group

Million Euro 2011








Beko Chef
BEKO




Five-Year Consolidated Financial Review

Million EURO	2011	2010	2009	2008	2007
INCOME STATEMENT					
Net Sales	3,633	3,487	3,065	3,615	3,764
Gross Profit	1,094	1,040	1,011	1,027	1,036
Operating Profit	278	321	348	232	292
Income Before Tax	265	330	268	15	112
Net Income	233	276	234	3	77
Depreciation and Amortization	94	97	84	88	79
BALANCE SHEET					
Year-End Cash and Cash Equivalents	480	643	419	194	235
Inventories	626	482	420	609	758
Total Current Assets	2,469	2,317	1,925	2,067	2,479
Property, Plant, and Equipment	592	611	576	594	705
Total Assets	3,764	3,573	2,975	3,204	3,816
Total Current Liabilities	1,445	1,143	1,472	1,397	1,846
Total Liabilities	2,269	1,910	1,705	2,269	2,562
Minority Interests	43	32	20	30	17
Total Equity	1,494	1,663	1,270	935	1,255
CASH FLOW					
Cash Flow from Operating Activities	-37	425	836	237	68
Cash Flow from Investment Activities	-349	-76	47	-171	-165
Cash Flow before Financial Activities	-386	349	883	66	-97
Dividends Paid	113	55	1	54	114
Capital Expenditures	157	127	96	187	191
SHARE-BASED FIGURES					
Dividends (Euro)	0.191	0.186	0.069	0.013	0.141
Year-end Share Price (Euro)	2.50	3.81	2.71	0.96	4.77
Price-Earnings Ratio	8.16	10.19	6.89	20.70	20.66
Dividends/Net Income (%)	59.2	48.3	17.4	25.1	63.4
Year-end Market Value	1,692	2,572	1,830	385	1,906
EMPLOYEE INFORMATION					
Number of Employees	21,960	18,388	16,931	17,472	17,053

In accordance with the resolution made during the General Assembly held on March 23, 2011, dividend distribution began on March 29, 2011 over the company's issued capital of 675,728,205 Turkish lira in 2010.

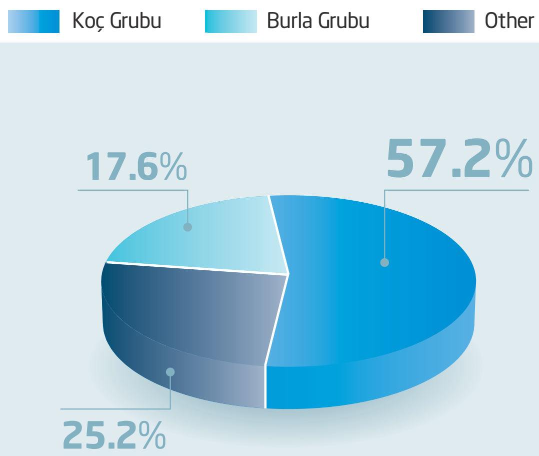
The total amount of cash dividend distributed, 250 million Turkish lira, was funded from the legal profit of the current year.

The company's issued capital in 2011, which is 675,728,205 Turkish lira, was paid in full and divided into 67,572,820,500 registered shares, with each share representing 0.01 Turkish lira of the issued capital. The company's registered capital stands at 1.5 billion Turkish lira.

The company has not issued any preferred shares. Each share with a nominal value of 0.01 Turkish lira carries one vote at the General Assembly.

Shareholders	Paid-in Capital	Share
	(Thousand TL)	(%)
Koç Holding A.Ş.	273,742	40.5
Koç Group (Other)	112,783	16.7
Koç Group Total	386,525	57.2
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428	12.0
Burla Ticaret ve Yatırım A.Ş.	37,572	5.6
Other Shareholders	170,203	25.2
TOTAL	**675,728**	**100**

In 2011, shareholders did not carry out any transactions concerning the company's non-public shares.



Dividends, which have been paid on earnings from 2006 to 2010, and corresponding distributable profits and equity ratios are shown in the table below:

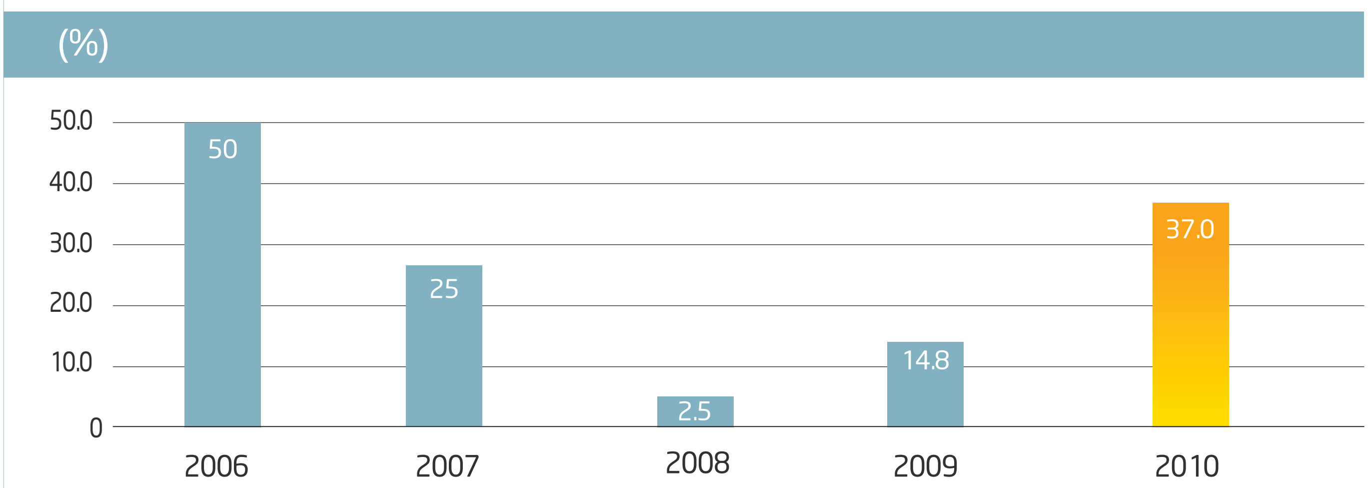
Dividend Payment Year	Issued Capital (Thousand TL)	Dividends (Thousand TL)	Gross Dividend of per Nominal Share of TL 1	Dividend Payout Ratio (%)	Earnings (TRY) Per Normal Share of TL 1
2006	399,960	199,980	0.50	50.0	0.81045
2007	399,960	99,990	0.25	25.0	0.39445
2008	399,960	9,999	0.025	2.5	0.0995
2009	675,728	100,000	0.14799	14.8	0.8493
2010	675,728	250,000	0.36997	37.0	0.7652

Dividend to Equity Ratio per Year

Arçelik has adopted a dividend payment policy that seeks to establish a balance between the interests of its shareholders and the company in accordance with Corporate Governance Principles.

Arçelik's profit distribution policy is based on the principle that “the long-term average of the dividend to distributable profit, which shall be submitted by the Board of Directors for the approval of the General Assembly, will not be less than 50 percent, within the bounds of the existing legislation and investment requirements of the company."

Dividend to Equity Ratio per Year



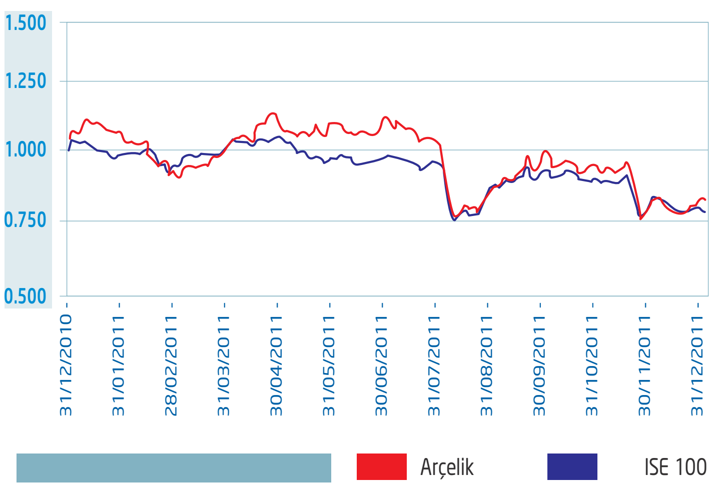
The company's shares have been traded on the Istanbul Stock Exchange (ISE) since January 1986. The performance of the company's shares, which are listed on the ISE, for the last five years is summarized in the table below:

Share Data	2011	2010	2009	2008	2007
Lowest Price (TL) (*)	5.52	4.83	1.12	0.96	5.01
Highest Price (TL) (*)	8.64	7.99	5.52	5.27	7.89
Year-end Price (TL) (*)	6.12	7.42	5.43	1.43	5.40
Year-end Price (TL)	6.12	7.80	5.85	2.06	8.15
Issued Capital (Thousand TL)	675,728	675,728	675,728	399,960	399,960
Market Value (Thousand TL)	4,135,457	5,270,680	3,953,010	823,918	3,259,674
Market Value (Thousand USD)	2,189,347	3,409,237	2,625,364	544,811	2,798,724

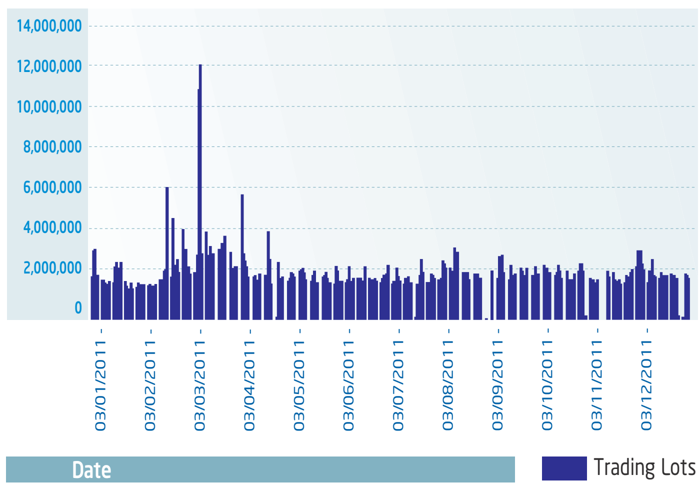
(*) Adjusted for Capital.

The performance of the company's shares for the period January 1, 2011 to December 31, 2011 is presented in the chart below. According to the chart, while the ISE National 100 index has fallen by 24 percent, the company's share price has fallen by 19 percent.

Relative performance (Initial value =1)



Daily Trading Volume for 2011



The average daily trading volume of the company shares was approximately 1.48 million lots in 2011. Foreign investors held approximately 77.59 percent of the company's shares traded on the ISE by 2011 year-end.

The ISE indexes on which the company's shares were listed by 2011 year-end are given below. The free float rate used in index calculations and the weight of the company's shares in the ISE National 100 index was 25 percent and 1.1971 percent, respectively.

Arçelik A.Ş. shares are listed on the ISE 30, ISE 50, ISE 100, ISE ALL, ISE Corporate Governance, ISE Industrial, ISE Metal Products, Machinery, and ISE Istanbul indices.

As was also mentioned in the material events disclosure initially dated July 30, 2009, Saha Corporate Governance and Credit Rating Inc. upgraded the company's corporate governance rating to 8.55 (85.53 percent) out of 10 points, up from 8.21 (82.09 percent) on July 30, 2010 and then again to 8.59 (85.91 percent) out of 10 points on August 1, 2011.

Our company has been listed on the ISE Corporate Governance Index since July 31, 2009.

Arçelik A.Ş. has a very effective risk identification, assessment, reporting and management system run by Risk Management Committee.

Arçelik A.Ş. has adopted a holistic approach to risk management. All strategic, operational, financial and other factors considered a risk to the fulfillment of the company's both short and long-term goals are assessed by the Board of Directors and all levels of management.

The Risk Management Committee, which has been formed for this specific purpose, carries out its activities by making proposals and recommendations to the Board of Directors concerning such subjects as the identification of strategic, financial, operational etc. risks, the estimation of their impact and probability of occurrence, the management and reporting of these risks in accordance with the company's corporate risk-taking profile, their consideration in decision-making mechanisms, and the establishment and integration of effective internal control systems. The breakdown of risk management responsibilities at Arçelik A.Ş. are summarized in the chart below:

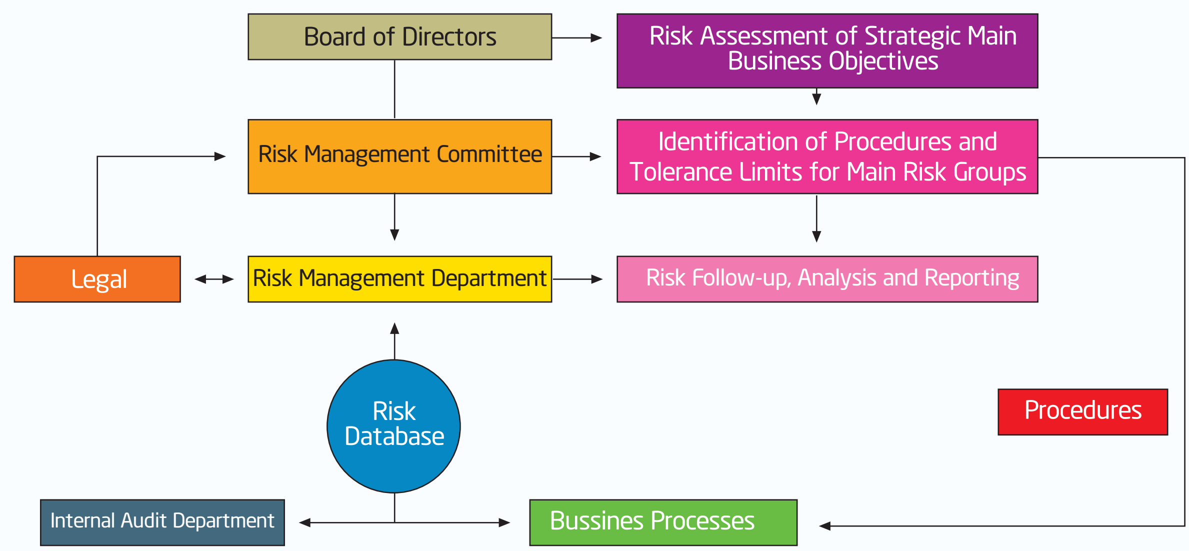
Arçelik A.Ş. has made risk management an integral part of all of its business processes.

In other words, risk management cannot be considered separately from business process management. Accordingly, risk management is carried out in-house as much as possible, rather than being outsourced to other companies or consultants. Therefore, one of the key responsibilities of process owners is to manage the associated risks.

The Risk Management Committee determines which procedures will be implemented in tandem with business processes that are associated with main risk groups, in accordance with the assessments and resolutions made by the Board of Directors concerning strategic risks. Process managers then implement the procedures by making them an integral part of their routine workflows.

Moreover, the company's in-house Risk Management Department provides process owners with technical support in managing their risks, monitoring risks emerging within Group, performing risk analyses using a standard methodology and reporting the results.

Risk Management Organization and Responsibilities



Operational risks, receivables risks and financial risks are regarded as the main risks groups faced by Arçelik A.Ş.

Operational Risks: Range from those associated with raw material procurement to production, sales and after-sales.

Receivables Risks: Managed by the Local Credit Risk Management Committees, which were formed within the Group companies, along with the Central Credit Risk Management Committee, which consists of the company's top managers.

The entire Group has coverage under consolidated insurance policies that cover losses sustained as a result of the realization of risks associated with receivables and various operational risk types, which are managed by process owners. In addition to all-inclusive insurance policies, different coverage methods are utilized to minimize receivables risk. Financial facilities such as letters of guarantee and letters of credit are also used along with real estate mortgages.

Financial Risks: Divided into three categories: liquidity risk, interest rate risk and exchange rate risk and managed by the following principles;

Liquidity Risk

Risk of insolvency is minimized through the coordinated management of balance sheets and cash flows. Accordingly, the company pays close attention to balancing the due dates of receivables and payables and to maintaining the parent company's balance sheet ratios (acid-test ratio etc.) at specified levels for the maintenance of short-term liquidity.

Interest Rate Risk

Interest rate fluctuations pose a significant risk to financial results due to their adverse impact on interest rate-sensitive assets and liabilities. The company manages this risk by using various balance sheet methods to balance the amounts and due dates of interest rate-sensitive items and by engaging in derivative instruments whenever necessary.

Accordingly, the company takes the utmost care to align not only the due dates of receivables and payables, but also interest rate change periods. In order to minimize the impact of interest rate fluctuations, the company matches the interest rate change periods of financial liabilities and receivables on the one hand and monitors the "fixed interest rate/variable interest rate" and "short-term/long-term" balance on the other in order to make sure they correspond.

Exchange Rate Risk

Since Arçelik A.Ş.'s business activities spread across a broad geographic area, the company deals in many different currencies. Accordingly, the exchange rate risk is one of the most important financial risks the company faces. The primary tool in managing this heightened risk is to operate in such a way that currency exchange fluctuations have a minimal effect on the company's operations; in other words, to maintain a foreign exchange position which is close to zero.

The company monitors each subsidiary's exchange rate risk by the relevant functional currency. The goal is to ensure that the said exchange rate position to equity ratio is kept within a certain range.

In addition to the foreign exchange position to equity ratio, there are limits in place for the parent company's financial statements based on Value at Risk (VAR) calculations. As is the case for other risk items, the company prefers to employ as much as possible various balance sheet methods in managing its exchange rate risks. However, the company also uses financial derivative instruments, if necessary, in order to keep this risk at target levels.

arçelik
The innovative and leading technology brand in Turkey's white goods market. The first name that comes to mind when thinking about Turkey's brands. An extensive range of products that includes household appliances, built-in appliances, consumer electronic products, air-conditioners, kitchen furniture, and small household appliances, and the strongest sales and after-sales service network in Turkey.

BEKO
A global brand that provides smart solutions for a wide range of consumers in Turkey and in more than 100 countries. A brand that offers free-standing and built-in household appliances, small household appliances, air conditioners and consumer electronic products that improve the quality of daily life.

Blomberg® seit 1883
The 128-year-old German brand that marries technological, practical and environmental features with aesthetic design. A company that offers customers a wide range of freestanding and built-in household appliances, in line with its slogan "In harmony with You."

arctic
Romania's most renowned and established local brand, and the leading white goods appliances company in the country.

GRUNDIG
The 66-year-old renowned brand from Germany whose extensive product range consists of consumer electronics and personal care products.

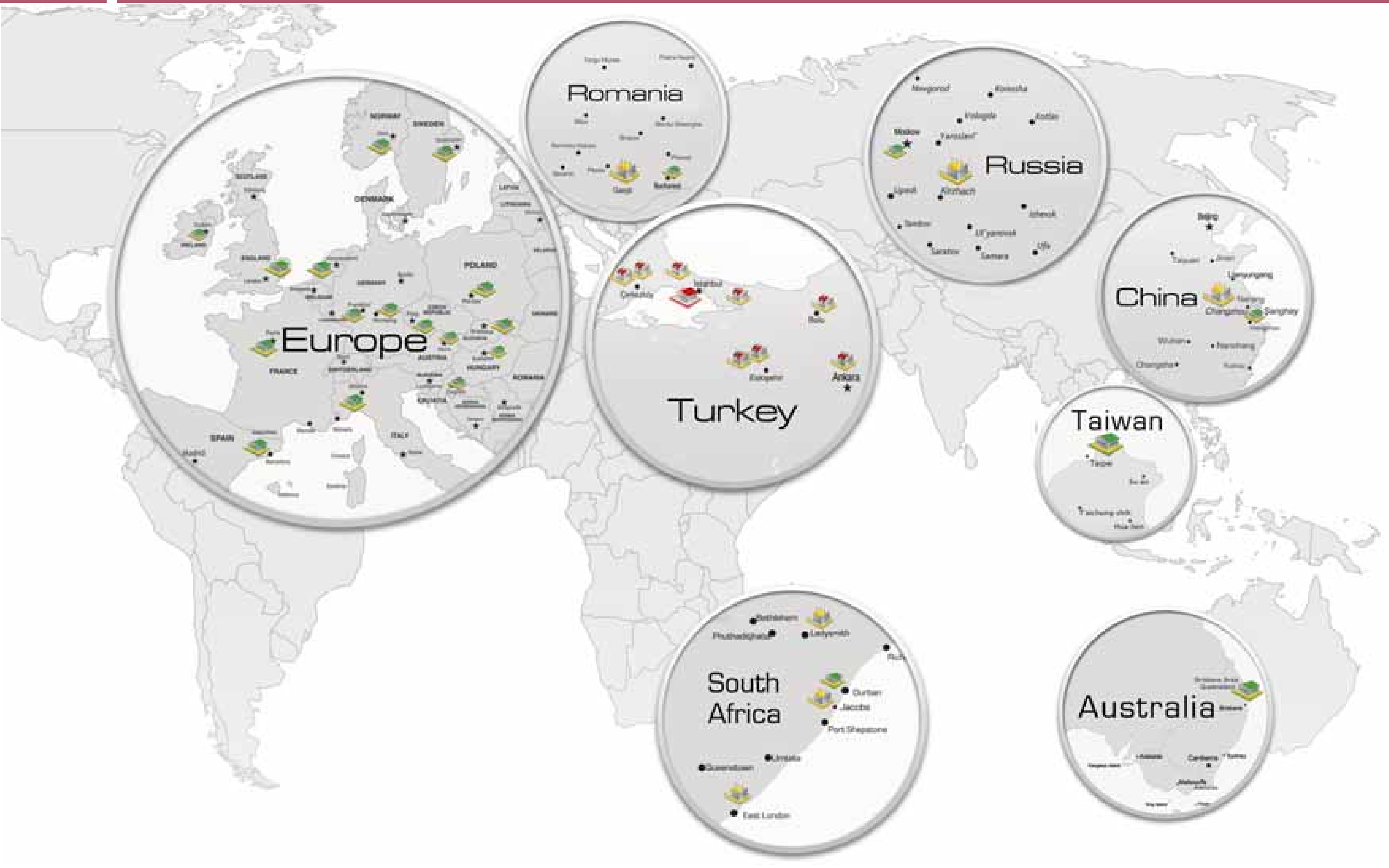
ALTUS
Value brand in durable goods for customers to meet their needs in the most economic way.

FLAVEL
The UK and Ireland-based home appliances brand whose freestanding and built-in product range provides affordable solutions for customers.

eb elektrabregenz
The 119-year-old renowned brand from Austria and one of the most popular home appliances brands in the country.

LEISURE
The traditional brand for freestanding cookers in the UK market. The company's product range includes gas and/or electrical range cookers and built-in appliances with traditional and contemporary designs.

DEFY
South Africa's leading brand for home appliances.



14 PRODUCTION FACILITIES IN FIVE COUNTRIES, A SALES AND MARKETING ORGANIZATION OPERATING IN 20 COUNTRIES, PRODUCTS AND SERVICES IN OVER 100 COUNTRIES

Headquarters
Turkey/Istanbul

Production Plants - Turkey

Eskişehir, Turkey	Refrigerator Plant
Istanbul, Tuzla, Turkey	Washing Machine Plant
İstanbul, Beylikdüzü, Turkey	Electronics Plant
Bolu, Turkey	Cooking Appliances Plant
Ankara, Turkey	Dishwasher Plant
Tekirdağ, Çerkezköy, Turkey	Electric Motors Plant
Eskişehir, Turkey	Compressor Plant
Tekirdağ, Çerkezköy, Turkey	Tumble Dryer Plant

International Sales and Marketing

Germany	Beko Deutschland GmbH
Austria	Elektra Bregenz AG
Czech Republic	Beko S.A. Cesko
China (Shanghai)	Beko Shanghai Trading Co.
France	Beko France S.A.
U.K.	Beko Plc.
Spain	Beko Electronics Espana S.L.
Italy	Beko Italy S.r.l
Slovakia	Beko Slovakia S.R.O.
Poland	Beko S.A.
The Netherlands	Grundig Multimedia B.V.*
Australia	Beko A and NZ Pty Ltd.
Taiwan	Ardutch B.V.
Romania	SC Arctic SA
Russia	Beko Llc.
China Changzhou	Beko Electrical Appliances Co. Ltd.
South Africa	Defy Appliances (PTY) Ltd. **

Production Plants - International

Romania	SC Arctic SA
Russia	Beko Llc.
China	Changzhou Beko Electrical Appliances Co. Ltd.
South Africa	Jacobs Cooking Appliances and Tumble Dryer Plant
South Africa	Ezakheni, Ladysmith Cooling Appliances Plant
South Africa	East London, Refrigerator Plant

* Established in Holland, Grundig Multi Media is a Holding company with 10 subsidiaries.
** Defy Appliances (PTY) Ltd.'s headquarters is located in the city of Durban, Jacobs, USA.

Arçelik A.Ş. is the leader of the home appliances sector in **Turkey**, **Romania** and **South Africa**, the second largest player in the UK market and one of the top five players in **Western and Eastern Europe.**

Beko brand:

- The **leader** in freezer, refrigerator and washing machine product segments in the **U.K.,**
- The **second** brand in washing machine and the third brand in freezer and refrigerator in **Poland,**
- The **second** brand in freestanding dishwasher in **France,**
- The **fourth** brand in freestanding dishwasher in **Russia,**
- The **third** freestanding brand in dishwasher, the largest brand in freestanding refrigerator, and the third brand in built-in oven product segment in **Romania,**
- The **leader** brand in total home appliances market, refrigerator and washing machine product segments in **Lithuania.**

International Markets

Home Appliances

In 2011, the sales of home appliances in Western Europe, one of the main markets of Arçelik A.Ş. increased about 0.5 percent. The five major countries that make up 80 percent of the European market in terms of individual sales experienced varied growth and contraction: for example, Spain and Italy's markets contracted while Germany's, France and the U.K.'s grew.

Eastern Europe's household appliances market grew over 10 percent in 2011. Russia experienced the most growth with 20 percent, followed by other important markets such as Poland, Romania and Ukraine.

Arçelik A.Ş. became the most-expanding company of Western Europe in 2011, thanks to a growth in its distribution channels and an increase in high-end product sales.

Beko

Arçelik A.Ş.'s international brand Beko, the third largest in terms of unit sales among 26 Western and Eastern European countries including Turkey, continued to grow globally in 2011.

Beko posted the highest market growth in Western Europe and the second largest in Eastern Europe.

Beko is the U.K.'s market leader in freezers, refrigerators and washing machines. In 2011, the company became the number one growing brand in the home appliances markets of France and Poland. Beko also became one of the top three brands to increase the market shares of its six main product groups in Germany, Spain and Romania.

Beko became one of the top three brands of Poland's refrigerator, freezer and washing machine segments. An impressive feat, considering that every major industry player has local manufacturing facilities in Poland.

In 2011, brand communication was shifted to the "Family Concept," which adopted a warm and communicative tone that reflected the consumer's daily life. The brand's "Smart Solutions" positioning focused on the products' aesthetic and technologic characteristics as well as the advantages they provided to the consumer.

In 2011, Beko for the first time participated with its household appliances product range at the IFA fair, one of the world's most important household appliances and consumer electronics fairs. Beko also participated in around 40 other fairs, at which it also exhibited its innovative and environmentally friendly products produced using state-of-the-art technology.

In 2011, European consumer magazines tested and research agencies continued to list Beko products among the best home appliances available because of their quality, ease of use and environmentally friendly characteristics.

In line with its values, Beko's sponsorship of basketball started in 2006 with the company becoming the main sponsor and name holder of the Turkish Basketball Federation. This tradition has grown in the past few years to become the company's main sponsorship activity around the globe. Beko became the "Presenting Sponsor" (the main sponsor that presents the championships to the world) of the 2010 FIBA World Basketball Championship. The company sponsored the German and Russian Basketball Leagues before becoming the "Presenting Sponsor" of the 2011 FIBA European Basketball Championship held in Lithuania. Beko also became the title sponsor of the Lithuanian Basketball League. Beko's sponsorship of the German Basketball League resulted in increased brand awareness in 2011. The company will continue to position its communication strategy around these leagues and proceed with its "Basketball Sponsor" strategy in 2012.

Arctic

Arctic, Arçelik A.Ş.'s local brand in Romania, reaches out to its customers through cheerful, exciting, family-centered and value-added services. It is the most established and renowned household appliance brand in Romania and it provides its consumers with the most fitting solutions, dependent on their needs and demands. The brand distinguishes itself by not only possessing the most widespread distribution network in Romania but also its most dominant after sales service network.

Arctic provides its Romanian customers with refrigerators, freezers, chest freezers, washing machines, cooking appliances, hoods and built-in appliances. In 2011, the company premiered a new product range (refrigerators, freezers, washing machines and cooking appliances) that sported advanced design and technological characteristics. The products stand out with their distinctive modern style and advanced technology and include Artic's first home appliances series made of silver.

Artic is the overall leader of Romania's home appliances market, holding the number one spot for refrigerators and washing machines, and second place for cooking appliances.

Artic's strategy to strengthen its brand position is to successfully address the modern lifestyles of consumers, by using elegant and modern designs alongside state-of-the-art technology to continually reinvent the brand. As part of this, Arctic has re-activated its online platform, www.arctic.ro, which now sports a modern, attractive design and a user-friendly interface. The site facilitates information access to products and services while providing new customer-tailored sections and functions, like the Arctic Club.

Elektrabregenz

Elektrabregenz is an established Austrian brand whose history dates back 119 years. The company became part of the Arçelik A.Ş. family in 2002 and sports an extensive sales network. Arçelik Group is one of the major players of the Austrian market and also operates in the country with its brand Beko.

Elektrabregenz is perceived by consumers as an aesthetic, creative, technologically superior, green brand. The company's "innovation" tagline materialized itself in 2010 with the "SURF" oven and was updated in 2011 with the Steam-Assisted "SURF" technology. Having introduced SURF to Austria, Elektrabregenz continues to be one of the most sought-after brands in the market, especially with its cooking appliances. The company continues to provide its Austrian consumers with A++ energy class refrigerators and new built-in products.

Elektrabregenz uses marketing activities, radio, open-air and print advertisements to promote its new products and technologies. For its 2011 end-user and dealership communication campaign, the company put an emphasis on its steam-assisted SURF ovens, Anka ovens, washing machines with six liter water consumption, closet-style refrigerators with four doors; and A-%50 energy class, heat pump assisted tumble dryers. The company's Nova brand washing machines fall under Austria's high-end market category.

In 2010, Elektrabregenz introduced its new concept and logo. In 2011, the company added the slogan "Bringt Harmonie ins Leben /In Harmony with your life" to increase awareness of its "eb" logo. It also added the tagline "etwas besonderes/something special" to its logo and the slogan "completely innovative" to its product range.

In 2011, Elektrabregenz premiered its new image and innovative products at important industry fairs held in Austria, including Wohnen & Interieur, Ordertage and Futura.

High-end consumer products were developed and distributed through special business partnerships, with the products themselves being launched at the 2011 Futura Fair. Store branding and roadshows were realized throughout Austria. The 2011 sponsorship of cooking shows screened on various furniture channels also immensely contributed to promotion of the brand.

In 2011, Elektrabregenz started to work together with the children's charity organization Pro Juventute, to emphasize its own social responsibility identity.

In 2012, the company plans to introduce built-in refrigerators that sport a higher net capacity, better energy efficiency and updated designs. It has plans to penetrate the oven category of the furniture market with its new induction ovens. The brand will also continue to introduce more energy efficient tumble dryers and washing machines.

Blomberg

In 2011, Blomberg celebrated its 128th birthday. The brand marries technological, practical and environmental features with aesthetic design. Blomberg, aspiring to be in tune with all aspects of life, provides consumers with energy and water efficient green products that are "In Harmony with Nature," aesthetic products that are "In Harmony with Your Home," and innovative and practical products that are "In Harmony with You."

In 2011, Blomberg launched its new product range with the slogan "In Harmony with your Life" and exhibited its products at the Belgium Batibouw Fair and Trade Fair and its first showroom in Jordan. Brand is available in 50 markets around the globe.

Consumers continue to show increased interest in Blomberg's environmentally friendly products that include washing machine, 10% energy efficient than A+++ energy class, A+++ energy class refrigerator and washing machine, A-50% dryer and A-40% built-in oven.

Consumer Electronics

Grundig

Grundig was established in 1945 in Germany and is a global manufacturer of consumer electronics and small household appliances. The company has been held synonymous with the quality notion "Made in Germany," thanks to its product quality and consumer-oriented approach that helped it gain over 90% brand awareness rating in Germany. Grundig brand products are sold in 63 countries as part of Arçelik A.Ş.'s network. The brand is recognized in Austria, Switzerland, the Balkans, and in Scandinavian and Baltic countries as well.

Grundig, having always put the consumer at its core, has been held synonymous with high performance, quality and durability thanks to the experience it has accumulated over many years. Grundig has six main product ranges that include TV, Radio, Audio, Hi-Fi, Personal Care, Home Care and Kitchen Appliances.

The sale volume in Germany's LCD TV market grew 7.6 percent in 2011, with Grundig increasing its sales volume around 65 percent. Grundig increased its market share by six percent and became the second- largest growing brand in the market. Grundig rose to the number five spot in Germany's market in December 2011, up from the seventh spot it held in December 2010. In 2011, Grundig introduced one of Germany's most extensively EU-certified, green, A-energy class, energy efficient TV product families, which numbers 30 models. Grundig's lack of hazardous materials and components in its products attests to its environmental awareness.

Grundig continued its technologically superior and consumer-centered approach with its 3D TV, Smart Inter@active TV, HbbTV and integrated HD-Triple-Tuner consumer products.

Grundig is the undisputed market leader in unit sales of home sound systems, and in turnover of World Receivers and Alarm Clock Radios. The product range for home sound systems includes easy-to-use Hi-Fi systems with “motion sensor" functionality or digital internet radios with superior sound quality. In 2011, Grundig introduced its new and certified “Music 51 DAB+” digital radio, which guarantees static free coverage of DAB digital radio stations in all of Germany.

In 2011, Grundig increased its range of home appliances with the addition of breakfast sets and also introduced the Bodyguard®Eco vacuum cleaner, which combines energy efficient, high suction power with low noise, and hygienic Microban® technology.

In 2011, Grundig became the “Official Technology Partner of the Bundesliga”. The Grundig logo will be a mainstay during all Bundesliga and Bundesliga 2 match screenings of the 2011/2012 and 2012/2013 seasons. This partnership significantly increased Grundig’s brand awareness in Germany and around the world.

Grundig presented its state-of-the-art technology products at the IFA fair with its soccer match-themed concept “You’ll never watch alone.” Products exhibited at the fair included the "Smart Inter@ctive TV" with sports integrated online services, and a wide range of digital Internet radios, hair styling products and breakfast sets. Philipp Rösler, the Federal Minister of Economics and Technology, and Klaus Wowereit, the Mayor of Berlin, displayed great interest at Grundig’s IFA stand.

In October 2011, Grundig welcomed over 200 dealerships in Istanbul as part of its Specialized Trade Network (GFI) program. Dealerships visited Arçelik and Koç Holding and had the opportunity to express their views on the brand through surveys.

Grundig was one of two large German companies to attend a conference organized by DENA (Deutsche Energy Agentur), Germany’s respected non-governmental organization that has pioneered public awareness about energy efficiency and renewable energy. Grundig gave information about the evolution of energy efficient products in the industry and also promoted its products. Grundig Cityline TV products received high quality, design and user comfort awards at the Plux X Awards 2011, while Grundig received the ”Brand of the Year 2011 for the Specialist Trade” award, a category included for the first time this year.

In 2012, Grundig aims to expand its sales network and increase its sale capacity, while investing in its supply and logistic chain to increase productivity. Grundig plans to continue with its product development activities and introduce products with innovative designs and technologies. Grundig also plans to expand its partnership with the Bundesliga on an international level and to continue improving the brand.

Arçelik A.Ş. has the most extensive dealership and after-sales services network in Turkey and was again 2011's leading company in the white goods, air conditioner and TV markets.

Data for 2011 obtained from the Association of Turkish White Goods Manufacturers (BESD) show that the household appliances industry surpassed the six million-unit sale mark for the first time and grew 19.2 percent in six main product categories. Retail air conditioner sales remained the same as last year because of the moderate weather conditions that summer. BESD data show that the built-in market grew 30 percent compared to 2010. According to the Association of Turkish Electronic Appliances Manufacturers (ECID) data, the LCD TV market grew around 50 percent compared to 2010.

Home Appliances

An important reason for growing retail sales, especially in the second half of 2011, was not only the high number of attractive sale campaigns, but also the increase in Turkish household numbers, a direct result of the booming construction industry.

Built-in oven and washing machines were the fastest growing product markets. In 2011, the kitchen's continuing dominant role in the household and the fact that renovations in older households are done with built-in products contributed to the fast-growing transition from free-standing to built-in household appliances products. In recent years, the built-in market benefited greatly from housing projects that offered kitchens already equipped with built-in products to customers. Also, the growth in the built-in market contributed to the sale of free-standing, inox products.

Demand for high-end products increased. The refrigerator, washing machine, tumble dryer and dishwasher categories of the household appliances market experienced growth, while the full-size oven category shrank in light of the increasing trend towards built-in products. While retail sales of air-conditioners in 2010 experienced growth because of the hot climate, sales for 2011 remained the same because of the temperate summer.

As the market's leading company, we plan to popularize our energy efficient and environmentally aware approach among all consumers, and to increase the use of energy efficient products. As part of this, the energy and water efficiency of our traditional main products in 2011 has reached significant levels.

Arçelik A.Ş. assumed a leading role in the "Efficient Cooperation for Energy Efficiency in Household Appliances" campaign that was organized with the cooperation of the United Nations, the Ministry of Energy and Natural Resources, and the Ministry of Science, Industry and Technology, and which aims to encourage the use of energy efficient products among consumers. As part of the campaign, Arçelik A.Ş. offered consumers substantial discounts on refrigerators, washing machines, tumble dryers and air conditioners 50-60% energy efficient than A class.

Consumer Electronics

The sale of cathode ray tube TVs ended in 2011. The increasing transition to LCD and LED TVs continued. Unit sales of LCD TVs increased, with popular demand for 82 inch and larger screens resulting in increased turnover.

Technologically advanced products such as 3D LED Full HD, Smart and Eco-Panel Panel LCD TVs were added to our product portfolio as a swift response to consumer demands. TVs with interactive, multi-touch screens were launched and efficiently showcased at stores, by using technology-centered and easy-to-understand presentations. The Digital Signage broadcasting system that was developed to provide high-quality HD streaming to dealer stores, and to create new advertisement and promotional spaces in them has become an unique product of its own in 2010. The system was continued to be used particularly in domestic and international soccer stadiums as well as in universities and other institutions.

Like the LCD and LED TVs mentioned above, PC and non-TV electronic products were also incorporated under the Grundig brand and started being sold at authorized dealerships.

Arçelik

Arçelik, Turkey's leading innovative and technologically superior brand of the household appliances market, has continued to provide consumer with products that are labeled "One and only in the world." Being associated as the premier brand in Turkey, Arçelik continued to support its global approach with its energy efficient products and upheld its leading position in energy efficiency with its green products.

In 2011, the company launched the 8123 HR (maroon) and 8123 H (white) washing machines that have the lowest noise levels (67 dBA) in their class. The new 530 liters 3-door no frost combi refrigerator has a special compartment that can be set either as a fridge or freezer unit depending on the storage needs. It's telescopic drawers enable ease of use. Additionally, thanks to its blue light technology, the refrigerator keeps fruits and vegetables fresh such as they are on their branches.

The renaissance in cooking technologies that started with Arçelik continues with the latest product of 2011: The "A La Chef" built-in oven with a TFT LCD screen. The oven provides users with a wide range of rich recipes that are displayed on the LCD screen, and which can be updated anytime via its USB port.

One of the new TVs that gained prominence in 2011, the "All in one LCD TV" provided consumers with the chance to experience Arçelik's superior quality by allowing them to watch digital broadcasts with its integrated system. The product continued to contribute to Arçelik's increased market share in the high-end, LCD TV product category.

The A-30% energy efficient "New Ecologist" continued to be the world's least water-consuming dishwasher with Eco 6L program.

The Café type dishwasher provides economic solution for mid and small scaled shops with is 15 minute program and 70 cup capacity. The new steam assisted model with a steam generator and other new 8 program dishwashers launched.

Arçelik increased its presence on the ever-changing Internet: it started selling products on its redesigned website and strengthened its customer relations through the use of social media. Its Facebook account updates allow for strong brand communication with consumers.

Beko

In 2011, Beko continued to improve the daily routine of its consumers with products that provide “Intelligent Solutions.“ Its “family concept” and “look who’s talking” approach to brand communication enabled it to increase the value of its brand positioning, and strengthened consumer awareness about Beko and its products when compared to the years before.

Washing machines with internationally VDE certified “Hygiene 30” program, which allow hygienic washing at temperatures as low as 30 degrees, were launched and extensively promoted through commercials. With these products, consumers are able to wash their clothes hygienically, even at low-temperatures.

The A-%30 energyclass dishwasher with Eco 6L program is another Beko quality product launched during the year. Commercial type and steam-assisted eight-program supporting dishwashers gained shares in the high-end category market. An increase in built-in product sales continued to reach substantial figures in 2011, with consumers increasingly favoring newly launched, innovative high-end products.

Beko continued its sponsorship of the Turkish Basketball League, with the annual All-Star games now being named the “Beko All-Star” games. Beko’s ongoing support and investment in basketball will continue.

Beko also increased its presence on the ever-changing Internet by starting to sell products on its redesigned website and strengthening its customer relations through the use of social media. Strong brand communication, especially with younger generations, is made possible through its Facebook and Twitter accounts.

E-commerce and the emphasis on small appliance series with characteristic designs, colors and healthy cooking benefits increased the number of store visits. Concept stores that sported advanced retail techniques and applications for increased consumer experience not only increased brand value, but also surpassed unit sales and turnover rates of classic stores. By the end of 2011, Arçelik and Beko had 270 stores.

Plants

Arçelik A.Ş. offers products to millions of consumers in over 100 countries through 14 manufacturing plants located in Turkey, Romania, Russia, China and South Africa.

With a "sustainable development" approach parallel to its vision, Arçelik A.Ş. aims to develop and market products that are resource and energy efficient, technologically innovative in design and easy to use, while also fulfilling its commitment to work on solutions against future threats such as drought, global warming, and diminishing natural resources.

One of Arçelik A.Ş.'s other goals during product development is to prevent the waste of resources. The company limits the environmental impact a product has during its life cycle by assessing every factor right at the beginning of the design stage; departments responsible for R&D and industrial design also conduct technological, product development and improvement studies.

Arçelik A.Ş. implements Total Productive Management (TPM) and Six Sigma methodologies for cost reduction and quality and process improvement while increasing its competitive edge day by day through its flexible production structure. The company's plants adhere to international production and quality standards: All its plants in Turkey, Romania, Russia and China have ISO 9001 and ISO 14001 certificates. The company performs its operations in line with its "Total Quality" principle, simultaneously integrating all its Quality Management, Environmental Management and Occupational Health and Safety Management Systems.

In 2011 Arçelik A.Ş. plants carried various projects to reduce water, energy and waste with the "energy efficiency in production" approach.

Eight domestic and one international Arçelik A.Ş. production plants have earned a "Gold" certificate for energy efficiency. Arçelik is also the first home appliances company to have earned the "Platinum" certificate. This makes Arçelik the first home appliances manufacturer to earn eight "Gold" certificates for its domestic plants as part of the "Energy Efficiency in Green Factories" concept. The company continues to raise its bar of success with each passing year: In 2011, for the first time in the global household appliances market, its refrigerator, washing machine, cooking appliances and compressor plants earned the "Platinum" certificate. Its washing machine plant in China holds a "Gold" certificate as well.

In this period of global climate change, Arçelik quantified its 2010 greenhouse gas emissions in its headquarters and production plants in Turkey and registered the amount as 100% verifiable and reliable through an accredited institution, in line with Greenhouse Gas Emission Specification ISO 14064-1.

Arçelik A.Ş. possesses the highest capacity, single production facilities of the world. The plants' own technologic capabilities enable them to produce the market's "firsts" and "mosts." They maintain a production quality recognized by established organizations and provide added value to millions of consumers. The company manufactures the world's most energy and water efficient, most silent and fastest products in diverse categories, ranging from refrigerators to washing machines, from tumble dryers to LCD TVs.

Arçelik A.Ş. shapes all its operational phases at its plants in light of its sustainable development and total quality approach. Its millions of fast, silent, efficient and productive products, which are manufactured in plants in Turkey and abroad, spread Arçelik's quality experience around the world.

- Refrigerator Plant - Eskişehir, Turkey
- Cooking Appliances Plant - Bolu, Turkey
- Dishwasher Plant - Ankara, Turkey
- Washing Machine Plant – Çayırova Istanbul
- Tumble Dryer Plant- Çerkezköy/Tekirdağ, Turkey
- Electronics Plant - Beylikdüzü/Istanbul, Turkey
- Compressor Plant – Eskişehir, Turkey
- Electric Motors Plant - Çerkezköy/ Tekirdağ, Turkey
- Arctic Cooling Appliances Plant - Gaesti, Romania
- Washing Machine Plant - Changzou, China
- Refrigerator and Washing Machine Plant - Kirzhach, Russia
- Cooking Appliances and Tumble Dryer Plant - Jacobs, S. Africa
- Cooling Appliances Plant - Ezakheni Ladysmith, S. Africa
- Refrigerator Plant - East London, S. Africa

Arçelik A.Ş. is Turkey's patent leader and develops its own technology without the use of licenses. The company plays an important role in the development Turkey's R&D culture and successfully continues its R&D activities on a domestic and global scale.

Arçelik's R&D Department celebrated its 20th year in 2011.

Arçelik is one of the world's major players that differentiate itself with its innovative, high quality and state-of-the-art products. The main reason behind the company's success is its technological prowess. Arçelik continues to provide customers with technologically innovative products, to strengthen its brands and its own global presence. As part of its growing technological foundation and R&D culture, the R&D department's 20th anniversary was celebrated during the 13th Invention Day with the participation of Koç Holding's Executive Management, former General Managers and R&D employees. The Ministry of Science, Industry and Technology, The Scientific and Technological Research Council of Turkey (TÜBITAK), the Technology Development Foundation Of Turkey (TTGV), universities and our advisors attended the event as well. Our researchers and their inventions, which played an important role in the development of Turkey's R&D culture and that made up the bulk of Arçelik A.Ş.'s R&D prowess, were awarded during the event.

The Arçelik A.Ş. "Invention Day" has been held for the last 13 years to highlight R&D activities undertaken by the company and other parties and awards engineers who have contributed with their research. Inventors who contributed to Arçelik's pioneering development are awarded on this day.

More than one third of Turkish patent applications made to the World Intellectual Property Organization (WIPO) belong to Arçelik.

These applications continue to make Arçelik the only Turkish company of the last three years to be named on the "Top 500 PCT Applicants" list prepared by the World Intellectual Property Organization. Arçelik was listed as the 95th.

We ensure that our technological inventions are protected with patent applications, but also make some of them public by publishing them in scientific journals or by presenting them at conferences. In 2011, we made public many of our research results through domestic and international publications, conferences and seminars.

An R&D Journey

As part of the R&D's 20th anniversary celebrations, a documentary about the development of Arçelik's R&D's capability in parallel to that of Turkey was screened, and attendees were presented with the book An R&D Journey – Managing Creativity in the realms of Science, Technology and Competition. The book not only summarized Arçelik's own technological developments, but also its contribution to technological management. This book was made possible through a trove of documents, visual materials and archive research. It consists of interviews with the founding members of the R&D department and their first employees and also sheds light on the knowledge and experiences of the managers of Koç Holding and Arçelik A.Ş. and the Arçelik R&D team. The book aims to provide the definitive story of Arçelik's R&D department, while also providing insight into the creation of Turkey's R&D notion and its institutionalization.

Arçelik A.Ş. continues to develop its R&D activities on a global and expanding scale, thanks to its extensive knowledge in the field. Mustafa V. Koç, Chairman of the Board of Koç Holding, accepted the R&D center certification documents of our companies from Prime Minister Recep Tayyip Erdoğan, at the event held by the Ministry of Science, Industry and Technology.

Household Appliances and Built-In Products

In 2011, Arçelik A.Ş,'s innovative and comfort-creating products continued to be the preferred choice of millions of consumers.

Innovative Dishwashers: The steam-assisted dishwasher, the world's first and only A++ energy class dishwasher cleaning 13 piece place of setting with a water consumption of 6 liters, and the world's first A++ energy class 45 cm dishwasher 10 piece place of setting with a water consumption of 9 liters were the outstanding products of 2011.

Green washing machine: Washing machine, 30% more energy efficient than A+++ energy class, equipped with Aquafusion Technology, active detergent system that annually saves up to 8 kilogram of detergent and a jet system that enables the perfect mix of detergent and water for the best washing performance available, was developed.

The world's most silent washing machine: The world's most silent washing machine, with a performance of 1,200 rpm and an 8-kilogram laundry capacity was developed. Germany's independent test institution VDE tested the product and labeled it the most silent product it had ever tested.

The world's lowest energy consuming tumble dryer with heat pump: Tumble dryer with heat pump technology consuming 60% lower energy than A energy class was developed. This product, which can dry 8 kilograms of laundry with an energy consumption of 1.50 kWh, was premiered as the world's most energy efficient tumble dryer at the IFA fair.

The world's lowest energy consuming oven: Arçelik put an emphasis on its energy efficiency research and introduced oven saving 40% more energy than A class, after having already introduced its oven consuming 30% lower energy than A class .

The product was tested and recognized by the VDE and premiered as "The World's Lowest Energy Consuming Oven" at the IFA fair. The built-in oven "A La Chef" was introduced as part of the industry's ongoing trend of introducing products with user-friendly characteristics and visual interfaces. The oven has TFT-LCD display a new user interface and displays recipes alongside color photos and assists the user with automatic cooking functions.

Innovative refrigerator: In 2011, our refrigerator than A+++ energy class with freezer was presented at the IFA fair. Our product, titled as "the World's Lowest Energy Consuming Combi Refrigerator" being %60 more energy efficient than A class, has Duo-Frost (Active Dual) refrigerating and active ionizer technologies built in.

In 2011, another R&D focus area was the lowering of noise levels of combi type refrigerators: The world's lowest noise level of 32 dBA was reached as a result. The built-in, one-door fridge model Beko RBI 2301 was labeled by the VDE as the world's most silent fridge with a noise level of 29 dBA.

Intensive R&D for compressors was also undertaken last year. The mass-production of one of the world's most energy efficient compressor models, the NTU series compressors, which has a COP parameter value of 1.85 W/W, was the result of these long years of study.

Induction oven: The induction oven with the market's highest "power/cost" efficiency percentage comes with various hob diameters. The product is an electronic platform compatible with a wide range of products and that can also be used with fluctuating power grids.

Consumer Electronics

Arçelik A.Ş. successfully responds to the ever changing and increasing demands of consumers with innovative and unique consumer electronics.

Trends

During 2011 the consumer electronics industry witnessed the transition to large screen TVs and LED technologies. Parallel to this, slimmer models with elegant lines that also were energy efficient started to play a more critical role. Consumers' preference of placing their TVs in living rooms and lounges put emphasis on glass and aluminum models with more elegant lines.

The spread of broadband infrastructures and changing consumer habits due to mobile technologies has resulted in an increase of smart TVs. Smart TVs provide customers with applications and services that give added value and facilitate their lives. Interconnectivity between devices plays an important role in this development.

The increasing content in LED TVs is expected to result in a fast rise of 3D TV solutions in the coming years. The changing standards that have spread in parallel with HD broadcasting enabled the evolution of much more efficient broadcasting systems.

Energy Efficient Products

In 2011, research to decrease the energy consumption of products continued. Stand-by power consumption of TVs was reduced to less than 0.5 W, in line with ErP directives set for the European market.

The transition from LCD to LED TV production enabled a 40 percent decrease in energy consumption on a product basis. In 2011, Arçelik A.Ş.'s production of LED TVs increased 154 percent compared to last year, with energy efficient products making up a larger percentage of the overall production.

One of the innovations of 2011 was the use of Energy Class Stickers. A-B energy class products made up 45 percent of the total production in 2011, compared to 1 percent in 2010. The transition from LCD to LED panels resulted in 12 kg less mercury used when compared to 2010. In the last three years, the efficiency of plastic and styropor components was raised to 47 percent and 44 percent, respectively. Logistical efficiency of TV shipping was increased 263 percent. Arçelik became the first Turkish company to be awarded with the Eco Flower Mark for its Grundig brand 40"/46" TVs.

Adherence to New Broadcasting Standards

Parallel to the development of HD broadcast, DVB-T2 standards were evolved for the more efficient use of Europe's terrestrial bandwidth. We introduced high-resolution DVB-T2 compatible products to swiftly meet the demands of our customers especially in Middle and North Europe. The Arçelik DVB-T2, which is one of the first products to be implemented in Europe, will make up the foundation for Turkey's transition to terrestrial broadcasting.

The support of all displays that range between 19'' and 55'' under one platform enabled easier design, supply, production and version management.

Smart TV

Parallel to the concept of Smart TVs, television designs that implement both TV and Internet applications and that support cord and wireless connections were developed. The news applications Reuters and Bild; pharmacy and doctor applications Apotheken and Arztsuche; food recipes and sport activities applications Bon Gusto and Laufen are among the first of their kind. Smart TV also support Europe's interactive broadcast standard HbbTV (Hybrid Broadband Broadcasting TV). Integrated Wi-Fi was for the first time implemented in these products as part of the smart TV solutions.

3D TV

We introduced our 3DTV product compatible with new generation and HDMI formats, parallel to the increase of 3D content. The product has 2D-3D algorithms that convert 2D images to 3D format.

More Aesthetic and Elegant Design

More aesthetic and elegant products with a bezel thickness of only 15 millimeter were designed as a result of developments in panel technologies. Slim panels accelerated the transition to A energy class. Integrated sound enabled superior sound quality. Aluminum cabins for the range between 32'' and 55'' were replaced with a new cabin family that sports thinner bezels. The rear frames of products with 32''-46'' aluminum front frames were replaced with elegant plastic frames that resulted in a cost advantage, while integrated Wi-Fi enabled connectivity with other products. Our aluminum family of products is positioned in the prestige category of Arçelik/Beko and Grundig.

Innovation and Cooperation in R&D

In 2011, Arçelik, who carries out its R&D-related activities through its product-specific R&D departments and its Central R&D Directorate, established a separate R&D department at the Middle East Technical University (METU) Technopark, adding a new dimension to the cooperation between the industry and universities, the quintessence of R&D itself. This opened the door to work more closely with various universities located in other cities. Various mechanisms of systematic collaborations that have been in place since the 1990s and that include project-based joint cooperation and implementation of student theses have thus been enriched. As part of this concept of strategic partnership, Arçelik A.Ş. contributed to the creation of joint research laboratories located in the Mechanical Engineering Departments of Istanbul Technical University (ITU) and Yıldız Technical University (YTU). These laboratories will conduct research on projects that will be based on a five year plan and that will be supported by TÜBİTAK and SANTEZ. Through this university-industry cooperation, Arçelik A.Ş. will develop technologies that will help maintain its leading position in the energy efficient oven and refrigerator categories. The laboratories are also expected to act as communication and publicity platforms for recruiting successful students to Arçelik.

At Istanbul Technical University's Faculty of Mechanical engineering, a 100-square meter laboratory for heat transfer applications at high temperature, which sports its own oven experiment stations, data measurement and analysis units, and space for four students has been reserved for Arçelik. At Yıldız Technical University, a 106-square meter Refrigerator Energy Efficiency Improvement Application laboratory with equipment for experiments, to be used by undergraduate and post-graduate students has been reserved for Arçelik. Other joint projects with a variety of domestic and international universities and research institutions besides METU, ITU and YTU have also been conducted. Arçelik A.Ş. also increased its R&D quality and capacity thanks to its R&D office established in Taiwan.

European Union Projects

Arçelik A.Ş. continues to play an active role in strengthening its R&D activities on a global scale thanks to various projects, platforms and funds. Besides its strong national collaborations, the company has participated in international collaborative activities and has actively been a part of the European Union's innovative project platform since years. Arçelik achieved significant success at the Seventh Framework Programme, which aims to integrate Turkey's science, technology and innovation capabilities into the European Research Area: It was named the number one company in the "The Five Most Successful Companies Based on the Number of their FP7 Partnerships" section of the "Turkey in Seventh Framework Programme (FP7) 2007-2011" booklet that was published by the TUBITAK EU Framework Programmes National Coordination Office (UKO).

Arçelik participates in projects at the FP7, which is regarded as the Champions League of R&D. They include research areas such as nano materials, food preservation technologies, insulation materials, electronic devices for an aging population, optimization of logistic and transport networks and 3D home entertainment systems. The project portfolio was extended with the Romeo, Finest, and Nanoporuousvip projects that were accepted in 2011.

Besides this accolade, Arçelik was also awarded for a project in an area in which it had never participated before: The company received the backing of the "Marie Curie" fund for a project that was realized with the participation of a researcher from outside the EU.

One project has been completed and six more are ongoing as part of EUREKA, the international support platform for the development of products and processes that are market oriented and rapidly commercializable.

Arçelik is a member of the NEM (Network and Electronic Media) technological platform, part of the EU Research Platform. This will allow it to actively participate in the specification of international demands and strategic research areas. Arçelik A.Ş. participated in the 2010 and 2011 general assemblies of NEM and also contributed to the NEM summits held for the last two years with articles related to its DIOMEDES project. Arçelik A.Ş. was elected to the R&D Governing Board of NEM during the NEM summit held on September 27-29 of this year at Torino Polytechnic University. Arçelik's memberships in the NESSI and Net!Works have also been renewed.

74 cm 3-Door No-Frost Refrigerator

- A+ class energy performance allows 20 percent more energy saving than A class ,
- Increased functionality with drawer or door options for bottom and middle compartments,
- Cool Control: middle compartment with freezer or refrigerator functionality allows increased freezer or refrigerator capacity upon demand,
- Individual temperature settings for three compartments made easy thanks to touch-screen electronic control system.

New No-Frost system:

- Faster freezing and refrigeration, longer preservation of goods thanks to higher humidity levels in the refrigeration compartment, isolation of odors in their respective compartments, anti-frosting of goods in the refrigeration compartments.

Hygienic applications:

- Blue light technology in the vegetable compartment enables longer storage and freshness of green-leafed goods,
- Anti-bacterial filter system for preventing odors (Hijyen+),
- Ionizer system that eliminates airborne bacteria and increases storage duration of goods through fresh air circulation (iyon+).

World's Most Silent Built-In Refrigerator

- RBI 2302 F, **"World's Most Silent Refrigerator,"** with a noise level of 29 dBA
- LBI 3002 F, the **"World's Most Silent Refrigerator of its Category,"** with a noise level of 31 dBA :
- CBI 7702-1, the **"World's Most Silent Refrigerator of its Category,"** with a noise level of 32 dBA

INNOVATIVE PRODUCTS

Steam Assisted Dishwashers

- Dishwasher with steam generator makes possible more shine on dishes.
- More glossy glassware and China up to 30% and 43% respectively.

Tumble Dryer

- Consumes 60 percent less energy than A-class products and dries 8 kilograms of laundry in 140 minutes. Saves energy and time with its high drying capacity.
- Sensitive smart sensors allow it to analyze the exact humidity amount of the laundry, while its distinctive drum wing design, large capacity and BLDC motor-drum drive system allows a high drying capacity.
- Possesses various intelligent drying programs tailored for different fabrics and prevents damage to laundry. Possesses time-saving short programs.
- User friendly interface merged with state-of-the-art drying technology for the best available drying option.

Washing Machine

- Sensitive and accurate analysis determines fabric and volume of laundry, enabling automatic setting of water volume and temperature, rotation speed, rinsing number and program duration.
- It interprets its laundry capacity and water temperature in light of its weight measurements, preferred program, washing temperature, and dirt level of the laundry for the best performance available. This decreases energy as well as water consumption.
- Possesses night mode and steam-assisted crease removal functions. Allows the option to bookmark the most preferred programs.

INNOVATIVE PRODUCTS

32”, 40”, 46”, 55” Smart Inter@ctive TV

- FHD 100 Hz (400 Hz PPR),
- Real-time access to news, weather, sports and traffic data alongside various internet applications; DLNA function enables wireless transfer of image, music and video files between compatible devices,
- Active Shutter 3D technology for 40” and above models,
- Subwoofer-enabled excellent sound quality for 40” and above models,
- DVB-T/C/S2 function enables screening of HD digital cable, satellite and terrestrial broadcasting without the need for extra adaptors,
- USB record function enables freezing and recording of digital broadcasts.

Ovens

A La Chef Built-in Oven - Automatic Cooking Technology (9780 EGI)

- The first oven made in Turkey that not only cooks food, but also offers recipes with photos on its built-in display.
- Displays every step of the 79 recipes available on its menu with photos.
- You can also cook manually by using the temperature, timer and cooking settings.
- Offers 4 cooking functions: surf cooking technology, warm keeping, low temperature cooking and 3D cooking. Multifunctional - 13 different cooking programs.
- Comes with a 4.3" wide, multicolored TFT display that is easy to follow from every angle and supports 16 million colors. The display is customizable and available in 3 different color themes. You can use the TFT display as a digital clock or photo frame when the oven is idle.
- You can transfer new recipes and photos to the oven thanks to its USB support.

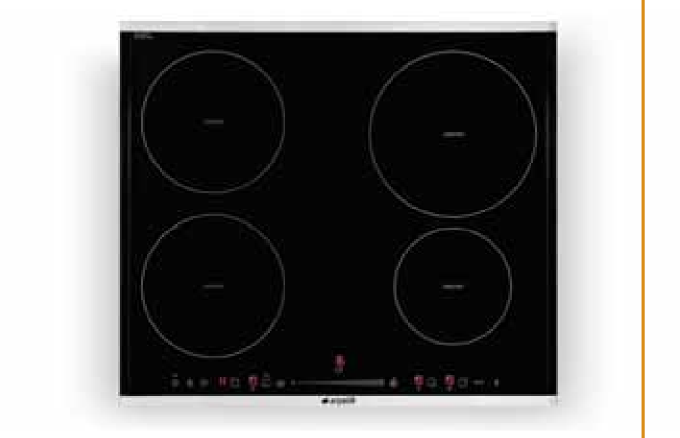
INNOVATIVE PRODUCTS

Oleophobic Nano Coating

- Comes with an easy-to-clean, dirt-resistant, special nano-coated, "Excellent Clean" full glass inner door.

Touch Control New Built-in Oven Series

- Vitroceramic and induction ovens come with a new Touchslider control unit.
- Timer that can be set independently for each burner and 19-level temperature control.
- Child lock, AutoShut-off, booster, anti-spillage safety, cleaning lock, and memory features.



Supply Chain

As a company with extensive experience in supply chain management, Arçelik's contributions to the industry expand beyond the borders of Turkey. The company manages its supply chain processes effectively and efficiently by continuously tracking the expectations of its customers and business partners. Arçelik actively participates in the Future Internet Enabled Optimization of Transport and Logistics Business Networks (FINEST), a project funded by the European Community's Seventh Framework Programme that aims at making logistics, supply chain and production management systems sustainable and at improving logistics traceability supported by Internet technologies of the future.

Arçelik adds value to the project with its supply chain management and advanced solutions, serves as a role model with its project outputs and operational experience on the global competitiveness front to all other companies that manage logistics and supply chain processes, and represents the Turkish logistics industry to the best of its ability in Europe.

The foundation of Arçelik's supply chain practices consists of the company's ability to analyze customer needs and expectations through the use of technology. Accordingly, Arçelik will continue to implement those projects that will make important contributions to the company's competitiveness in the area of supply chain management, based on a methodology of prioritization triggered by the strategies adopted by the company.

Global Purchasing

An expert team manages Arçelik's ever-expanding global purchasing activities and supplier relations. The company is guided by the principle of sustainability in its purchasing operations. Arçelik bases its purchasing strategies on a sustainable growth approach aligned with the company's business strategies. Consequently, all of our strategies are focused on humans, the environment, costs, quality and innovation. One of the key factors in achieving sustainability is the maintenance of profitability by designing innovative and eco-friendly products without losing sight of competitive advantage.

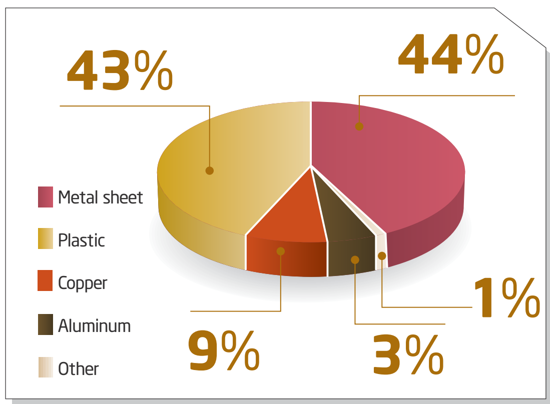
Accordingly, Arçelik has developed and has begun to implement a management system titled "Sustainable Total Cost Management," which the company uses both for its domestic and global sourcing activities.

Sustainable Cost Management:

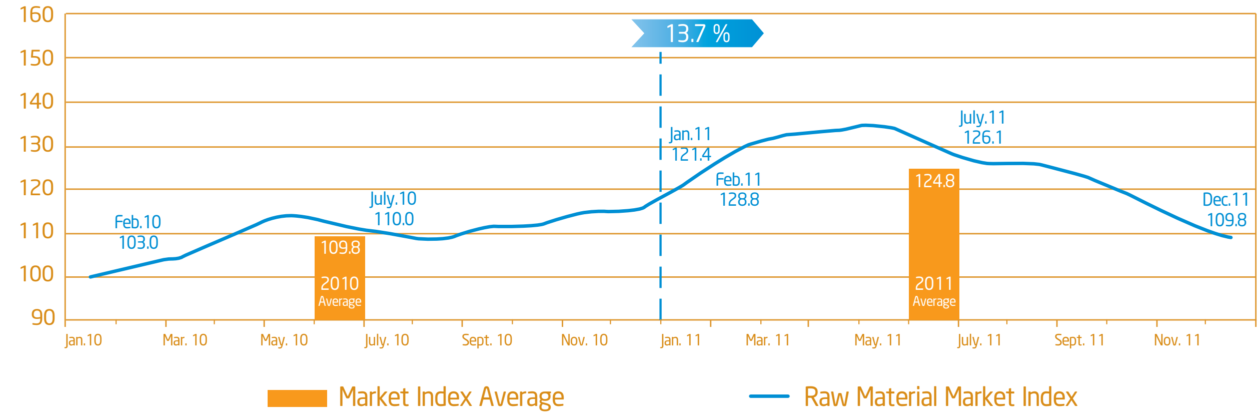
- Expanding the Scope of Central purchasing Activities: Arçelik's continuously- expanding global purchasing activities are managed centrally from Turkey by an expert team, the members of which also serve around the globe. Having made important gains in terms of the management of cost risks and the maintenance of profitability to-date thanks to the economies of scale achieved through central purchasing and high-volume purchasing strategies, in 2011 Arçelik began to source various other services such as those related to information technologies, advertising and marketing etc. centrally. Arçelik's central purchasing organization manages a purchasing volume of nearly 2 billion Euro including the direct materials, which comprise the raw materials that go into the products and the metal/plastic materials and components; indirect materials and services, and capital goods. Direct material purchases comprised nearly 89 percent of the total purchasing volume managed by Arçelik's central purchasing organization in 2011.

- Mitigating the Impact of Raw Material Price Fluctuations: Raw material purchases account for the largest part of the total purchasing volume. When metal and plastic materials, which are used especially in the manufacturing of white goods, are taken account along with raw material purchases made by Arçelik and its suppliers, the cost of purchased material accounts for nearly 40 percent of the final of the product. Besides their direct impact, raw materials are also critical in determining the price of some component groups that require the intensive use of raw materials. Metal raw material as well as chemical and polymer raw material purchases account for 57 percent and 43 percent, respectively, of all raw material purchases. Metal sheet purchases account for 77 percent of all metal raw material purchases.

Raw Material Cost Breakdown (2011):



Raw Material Market Index



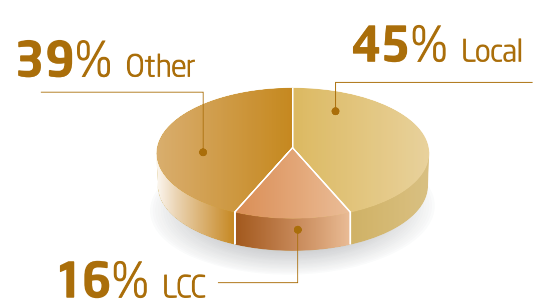
The fact that commodities are affected by price fluctuations across global markets and thus leads to a variability in the cost of raw materials, makes it difficult to understand cost structures and sustains cost competitiveness. Arçelik monitors changes in raw material prices through the market raw material index, which is based on the impact of raw materials used in manufacturing on total manufacturing cost. Market prices, which have been on an upward trend since the first quarter of 2010, continued this trend during the first half of 2011 and then entered into a trend of decline as of the third quarter. However, the Market Raw Material Index average increased by 13.7 percent in 2011 compared to 2010.

Arçelik has achieved flexibility in its cost and inventory management by monitoring the commodities markets closely. In addition, the company minimized the effects of seasonal price fluctuations on its costs by establishing medium- and long-term relationships with its suppliers.

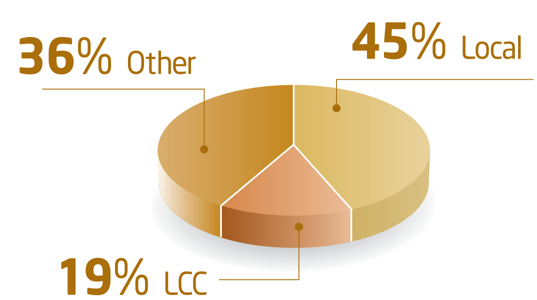
Increased Purchases from Low-Cost Countries:
Arçelik has focused on making purchases from Low-Cost Countries (LCC) in order to support its growth strategies and sustain its cost competitiveness. Accordingly, the company has identified potential companies in India, Indonesia, Poland, Belorussia and the Balkans, which would supply raw materials to the company in the medium- and long-term. Arçelik visited 349 potential companies across seven LCC countries in 2011. As a result of these efforts, the share of purchases made from LLC companies increased by 3 percent compared to 2010, reaching a total of 19 percent. Arçelik will continue to engage potential LCC companies in the upcoming period.

Total Purchasing Cost Management:
Total Purchasing Cost Management encompasses all the above mentioned region and category based strategic focus areas, every purchasing item that has an impact on purchasing and other effective cost management practices. By engaging its purchasing and manufacturing departments, Arçelik implements design change, alternative material and supply source development, cost improvement projects etc. within the framework of its annual activity plan. Among other practices that help the company maintain its profitability by reducing costs are dynamic inventory management policies, consignment purchases where inventories are managed by suppliers, activities aimed at developing auxiliary industries and electronic tender management applications.

2010 Direct Material Purchasing Breakdown of Costs by Region



2011 Direct Material Purchasing Breakdown of Costs by Region



Sustainable Supply Management:

- Improvement of Global Purchasing Organization: After the launch of its purchasing office in China, which commenced its operations in 2011, Arçelik has increased its penetration in terms of purchasing operations across the Asia-Pacific region by opening a new purchasing office in Taiwan, an important country in terms of consumer electronics. Through this office, Arçelik aims to increase the effectiveness of its efforts aimed at engaging suppliers in Taiwan and other countries in the periphery. Furthermore, the company has begun to collaborate with local suppliers in order to reach potential suppliers abroad. With this strategy, Arçelik aims to create a strong and global supplier pool and thus maintain the sustainability of sourcing from LCCs and ensure that its supply chain is not interrupted in case of potential regional disasters.

- Establishment of the Supplier Development Unit: Arçelik has established a Supplier Development Unit in order to enhance the capabilities of the suppliers who are considered to be crucial stakeholders and improve the effectiveness of efforts aimed at joint development projects.

- Strengthening of Supplier Communication and Cooperation: The aim of supplier relations is the establishment of long-term partnerships with suppliers based on integrity, trust, mutual interest, sustainability and a shared growth strategy. Arçelik ensures the sustainability of the commercial agreements it signs with its suppliers by maintaining a payment system that aligns fully with mutually agreed-upon payment terms. Beginning from the design stage, Arçelik considers supplier meetings, mutual visits, information sharing through the supplier portal, organizational development in areas where suppliers converge and supplier days as crucial means of communication to increase cooperation with its suppliers. In 2011, Arçelik organized the Arçelik (Beko) Supplier Day in China in order to improve communication between the company and its suppliers across Asia, a continent where LCC suppliers converge.

  Nearly 300 representatives from 200 existing and potential companies from seven countries participated. During this event, Arçelik had the opportunity to share the company's approach in matters concerning economies of scale, manufacturing volumes, goals, collaboration opportunities and business ethics and thus ensured that the suppliers increased their willingness to enter into a long-term agreement with the company.

- Supplier Selection and Evaluation: Arçelik considers supplier selection and evaluation as strategic priorities. Supplies are expected to meet the company's requirements under three global headings: quality, environment and business ethics. Arçelik also posts said requirements on its corporate website at: http://www.arcelikas.com/sayfa/97/Tedarikci_Gereksinimleri. If required, Arçelik undertakes company visits and carries out comprehensive field inspections by using its pool of senior inspectors in order to establish whether suppliers are complying with company policies and planning development activities. Arçelik monitors the operational performance of its suppliers on a regular basis and provides feedback. Long-term requirements include: planning, supplier capacity analyses and balancing, creation of a big enough supplier pool with the required qualities, inventory/order management applications that would improve the company's ability to respond to short-term order fluctuations and support flexible manufacturing strategy, as well as other applications that reduce supply risks.

Consumer Services

As a result of its commitment to excellence in customer satisfaction, Arçelik continued to invest in the latest technology and qualified human resources in order to improve the quality of the company's after-sales services in 2011.

Arçelik stands out from the crowd as a company that continuously raises the bar for the quality of the after-sales customer services it offers. The company took an important step by beginning to offer services at every service point for every product it manufactures. Another novelty introduced by the company is that whereas the minimum warranty period required by the applicable law in Turkey is two years, since 1998 Arçelik has extended the said period in certain products to three years. The company also offers +4-year warranties since 2002.

- Training Activities

Arçelik considers training to be an essential part of its service quality and accordingly provides its sales and technical service personnel with product trainings for all product categories at the Arçelik Academy.
~ Arçelik Academy has offered approximately 220,000man-hours of product training through 125 different training sessions in nearly 36 countries both in Turkey and abroad.
~ Authorized service personnel have not only been provided with technical information, but also with training that would help them improve their behavioral skills.
~ Arçelik also provides its local and overseas sales personnel with training sessions on the key features and superior benefits of the company's products.
Arçelik Academy offers in-house training sessions to call center, sales and marketing personnel to help them improve their product knowledge.

- Call Center

Commencing its operations with a team of only four-strong personnel in 1991 as one of Turkey's first call centers, Arçelik Call Center continues to offer quality services with team of 250-strong personel to its customers without compromising its philosophy of ensuring complete customer satisfaction.

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide the company's customers a high level of service on a 24/7 basis, but also to ensure a smooth dialogue between them and Arçelik, respond to their proposals and requests more rapidly and maximize their level of satisfaction. A significant part of incoming requests are replied to instantly (First Line Support), without having to pay a visit to the customer's house.

- International Call Center as the Next Goal

The Arçelik Call Center has continued to expand its overseas call center services network in order to move closer to its goal of becoming an international call center and has begun to provide pre- and post-sale call center services to the following countries and brands from Turkey: Austria - Elektrabregenz, Beko and Altus in 2008, Germany - Grundig in 2009 and Germany - Beko in 2010. In addition to Austrian and German markets, Arçelik has carried out customer satisfaction surveys in the Danish market, which testifies to the fact that the company not only listens to the concerns of its domestic customers, but also to those who purchase Arçelik's products overseas.

In 2011, the Arçelik Call Center commissioned "home agent" web sales support, social media monitoring and telemarketing processes, thus beginning to contribute to the sales turnover of the company by providing the company's customers, who had been divided into different segments through CRM methods and analyses, with advantageous purchase offers. Arçelik has been able to employ flexible and efficient work conditions with the Home Agent process and has also been able to provide citizens with disabilities, who are not able to work in an office environment, with employment opportunities.

- Use of Technological Infrastructure in After-sales Services

With the use of hand-held computers during authorized services, Arçelik has increased its service quality and efficiency by optimizing the task assignment of technical personnel in the field. The quality of assembly services has been improved by the employment of qualified service personnel and service differentiation; additionally, customer satisfaction has increased. Scheduling of appointments at convenient times for customers and keeping them, along with the allocation of sufficient time for appointments have allowed the company to provide one-visit solutions without wasting precious time. Furthermore, Arçelik has developed and continues to improve a performance system through which various criteria such as compliance with company principles, cost-effectiveness of operations carried out by qualified employees, maximization of customer satisfaction. etc. can be evaluated.

Expanding the scope of high standards and quality services offered to customers in Turkey to include all other markets is one of the most important goals of Arçelik. Arçelik offers after-sales services with its own in-house customer service organization in 15 countries and through its distributors and contract technical service providers in other countries. Arçelik has identified service quality performance indicators for its service organization and monitors these indicators closely. The company also plans various activities in order to increase the quality of the services it provides. Services are recorded thanks to the state-of-the-art IT infrastructure enjoyed by the company, and the generated data is evaluated in order to provide customers with better products and reach a higher level of service quality.

The establishment of an after-sales service network in Australia, and the alignment and integration of the Defy after-sales service network in South Africa with that of Arçelik are among the important projects Arçelik plans to implement in 2012.

Corporate Social Responsibility Approach

Sustainable use of the earth's limited resources is not only the responsibility of individuals, governments and non-governmental organizations (NGOs), but companies as well. Accordingly, the company carries outs its activities with a view to create a more livable world for future generations.

The company's approach of "Corporate Social Responsibility" and responsibilities towards sustainable development encompass being sensitive to environmental and social issues and operating in full compliance with laws, ethical principles and human rights.

Inspired by the vision of its founder, the late Vehbi Koç, who stated, "I exist as long as my country exists," the company strives to fulfill its responsibilities together with its employees and business partners.

Arçelik A.Ş. publishes an annual "Sustainability Report," which complements its operations in economic, social and environmental areas. This report covers the company's efforts towards the development and production of innovative green products, improvement of social standards, delivering effective corporate governance, respecting human rights and ethical work principles in cooperation with all its stakeholders while also sustaining its profitability.

Corporate Governance Approach

Arçelik's corporate values and culture, ethical principles, good governance philosophy and business ethics principles provide guidance to employees in their day-to-day business activities.

In order for the company to achieve long-term productivity and success, it is imperative that it align its activities with the four key principles of corporate governance: accountability, responsibility, openness and transparency and equality, which build trust between stakeholders and institutions in accordance with internationally-accepted business norms.

Arçelik A.Ş. is aware of that fact that sound corporate governance lies in keeping promises made to the company's stakeholders, especially investors, in order to continue to enjoy their trust and ensure stability. During meetings held with corporate investors, Arçelik has been able to observe the positive impact of its successful implementation of corporate governance principles. The company not only depends on its financial results and robust capital structure to achieve its profitability targets, but also on its corporate reputation, an important asset that has been established over many years.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Compliance with Corporate Governance Principles

The implementation of the Corporate Governance Principles, which were issued by the Capital Markets Board (CMB) on July 4, 2003 under decision number 35/835 and shared with the public in July 2003, is vital to the creditworthiness and financial standing of publicly-held companies. Arçelik A.Ş. has adopted these principles, which set a benchmark for good corporate governance. In accordance with CMB resolution No. 48/1588 and dated December 10, 2004, companies listed on the Istanbul Stock Exchange (ISE) must provide a report, as of 2004, detailing their compliance with the Corporate Governance Principles stated in their annual reports or corporate web sites (if any). In accordance with the aforementioned resolution, Arçelik has set up an in-house team to ensure compliance with these principles, and since 2004 the company has included compliance-related information in its annual reports and on its website. The company is continuing its efforts to ensure full compliance with the CMB's Corporate Governing Principles. The "OECD Principles of Corporate Governance," which were first published in 1999, were revised in 2004; in addition, the Capital Markets Board has updated its principles to align them with the 2004 OECD Principles of Corporate Governance. CMB's Corporate Governing Principles have been revised according to the "Communiqué Serial: IV, No: 56 on the Principles Regarding Determination and Application of Corporate Governance Principles," which was published in the Official Gazette dated December 30, 2011. Arçelik's Corporate Governance Principles Report 2011 has been prepared in accordance with the Communiqué Serial: IV, No: 56 and CMB's Corporate Governance Principles mentioned in the Communiqué Serial: IV, No: 57 which has amended the former.

As was mentioned in the material events disclosure published on July 30, 2010, Saha Corporate Governance and Credit Rating Inc. has upgraded Arçelik's corporate governance rating to 8.59 (85.91 percent) out of 10 points, up from 8.55 (85.53 percent) out of 10 points on August 1, 2011.

Our Corporate Governance rating has been evaluated under four categories: Shareholders, Public Disclosure & Transparency, Stakeholders and Board of Directors, which have been weighted according to the CMB's Corporate Governance Principles. The results are as follows:

Categories	Weight	2010 Rating	2011 Rating
Shareholders	0.25	8.87	8.87
Public Disclosure & Transparency	0.35	9.22	9.30
Stakeholders	0.15	9.52	9.52
Board of Directors	0.25	6.73	6.76
Total	**1.00**	**8.55**	**8.59**

You can access the report, which was prepared by Saha, on Arçelik's corporate governance rating on our company website at www.arcelikas.com.tr. Saha has made the following assessment in its report:

"In consideration of Arçelik's determination to implement corporate governance principles, its willingness to manage this process in a dynamic and continuous fashion and finally the improvements it has made during the period passed since the publication of the initial report, the corporate governance rating of the company has been upgraded and confirmed as above."

Our company has been listed on the ISE Corporate Governance Index since July 31, 2009.

Corporate Governance Principles Not Yet Implemented

Arçelik believes in the importance of fully complying with the CMB's Corporate Governance Principles. However, full compliance has not yet been achieved due to several reasons: challenges in implementing some of the principles together with ongoing discussions in Turkey and across international platforms on compliance with certain principles, and the failure of current markets and corporate structures to meet these principles in the proper manner.

A corporate governance action plan has been prepared concerning the areas that still need improvement as determined in the Corporate Governance Rating Report prepared by Saha. Efforts for full compliance with the CMS's Corporate Governance Principles have continued. Those CMB's Corporate Governance Principles which have been adhered to and those which have not yet been fulfilled are given in the following sections of this report.

Compliance Efforts within the Period

Arçelik A.Ş. has continued its efforts and made the following major improvements towards compliance with CMB's Corporate Governance Principles throughout 2011:

On March 22, 2010, the Board of Directors resolved that an in-house Corporate Governance Committee would be established in accordance with the Corporate Governance Principles issued by Capital Markets Board, which would observe the extent of the company's compliance, carry out improvement efforts and suggest policy positions to the Board of Directors. The Corporate Governance Committee has held three meetings in 2011.

The Risk Management Committee was formed by the Board of Directors resolution on July 16, 2010 in order to make proposals and recommendations to the Board of Directors concerning issues such as the identification of strategic, financial, operational and miscellaneous risks, the estimation of their impact and probability of occurrence, the management and reporting of them in accordance with the company's corporate risk-taking profile, their consideration in decision-making mechanisms and the establishment and integration of effective internal control systems. This Committee has held eight meetings in 2011.

The Investment and Business Development Committee was formed by the Board of Directors resolution on July 16, 2010 in order to generate ideas and strategies, coordinate the activities of concerned departments, make proposals and recommendations to the Board of Directors with the purpose of devising and planning new projects and investments across different areas of critical importance, and monitor the implementation of the agreed-upon strategies and projects. This Committee has held nine meetings in 2011.

Arçelik has also made followings throughout 2011 in order to comply with Corporate Governance Principles:

- The corporate website has been updated.
- The signed copy of the resolution made by the Board of Directors, which approved the annual report and consolidated financial statements dated December 31, 2010 have been included in said report.

Following the submission of a positive assessment by the Corporate Governance Committee to the Board of Directors, on June 28, 2010, Arçelik begun to participate in activities carried out by the Capital Markets Work Group, which operates under the Corporate Governance Association of Turkey (TKYD), and has contributed to the drafting of TKYD's report concerning the updating of CMB Corporate Governance Principles in 2011.

Arçelik A.Ş. has also participated in activities carried out by the Corporate Governance Work Group and the Capital Markets Work Group, which operate under the Turkish Industry & Business Association (TUSIAD), and has contributed to the preparation of TUSIAD's views on issues such as corporate governance and capital markets legislation, to be submitted to CMB and shared with the public in 2011. In 2011 Arçelik A.Ş. also participated in training courses, seminars and presentations held by TUSIAD and TKYD on capital markets and corporate governance.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights

In exercising shareholders' rights, legislation, the articles of association and other in-house regulations have been applied, as well as necessary precautions to ensure such rights have been adopted and that all shareholders have been treated equally. Arçelik A.Ş. manages its relations with shareholders through the Assistant General Manager of Finance and Accounting. The primary objective of the company is to ensure that shareholders exercise their right to obtain information in a fair and transparent process. The company also allows its shareholders to exercise their rights, which they are entitled to as partners, fully and in the shortest amount of time possible. Major responsibilities include the following:

- Keeping the records of shareholders in a proper, secure and up-to-date manner,
- Responding to shareholders' oral or written queries for information regarding the company, excluding undisclosed information that is considered confidential and trade secret,
- Ensuring that the general shareholders' meeting is conducted in accordance with applicable legislation, articles of association and other in-house regulations,
- Preparing documents to be used by shareholders during General Shareholders' Meetings,
- Keeping records of voting results and ensuring that all reports related to resolutions of the General Shareholders' Meetings are delivered to shareholders,
- Observing and monitoring all issues regarding public disclosures, including applicable legislation and the company's disclosure policy,
- Attending meetings held at company headquarters as well as other local and international meetings organized by various organizations and informing investors of these meetings,
- Providing information to analysts who make assessments about the company,
- Responding to information requests made by academicians who carry out research about the company and industry,
- Preparing the content, both in Turkish and English, to be posted on the investor relations section of the company's corporate website (www.arcelikas.com); updating the page regularly, and ensuring that shareholders are able to access company information easily and quickly via the Internet,
- Providing information and announcements on the company's corporate website which would have an impact on the use of shareholders' rights,
- Filing material events disclosures with the ISE through the Public Disclosure Platform (PDP), in accordance with the CMB Communiqué Serial VIII, No: 54,
- Monitoring changes in the applicable legislation related to the Capital Market Law and bring these to the attention of concerned units in the company,
- Representing the company at the Capital Market Board, Istanbul Stock Exchange, and Central Registry Agency (CRA)

The company's Shareholders Relations Unit plays an effective role in safeguarding and facilitating the exercise of shareholders' statutory rights, especially concerning shareholders' rights to obtain and evaluate information.

Arçelik A.Ş. Shareholders Relations Unit consists of:

Dr. Fatih Kemal Ebiçlioğlu		
Assistant General Manager, Finance and Accounting	0212 314 31 00	fatih.ebiclioglu@arcelik.com
Bülent Alagöz		
Capital Markets Regulation Compliance Manager	0212 314 31 03	bulent.alagoz@arcelik.com
Turhan Sarı		
Capital Markets Regulation Compliance Specialist	0212 314 31 15	turhan.sari@arcelik.com
Fulya Kırayoğlu		
Investor Relations Specialist	0212 314 31 11	fulya.kirayoglu@arcelik.com

Fax : 0212 314 34 90
e-mail : yatirimciiliskileri@arcelik.com - investorrelations@arcelik.com

Information about activities carried out in 2011 in order to provide detailed information to investors on the Company's operations are summarized as follows:

• Number of investor conferences held in Turkey and abroad	**10**
• Number of investors met with	**260**
• Number of teleconferences organized for the disclosure of 2010 year-end financial results and three quartes of 2011	**4**
• Number of press meetings organized in Turkey and abroad	**5**

1.2. Shareholders' Right to Obtain and Evaluate Information

Arçelik A.Ş does not discriminate in any way when shareholders exercise their right to obtain and evaluate information. Every shareholder has the right to obtain and evaluate information.

In order to expand shareholders' rights to access information and ensure that they exercise their rights in a reliable manner, Arçelik A.Ş. maintains its financial statements and other related information and documents regularly and posts them, both in Turkish and English, on the company's corporate website (www.arcelikas.com).

During the 2011 period, information requests filed by shareholders have been answered orally or in writing in accordance with the provisions of the Capital Market Law, without giving preferential treatment to any shareholder. In 2011, Arçelik A.Ş. has carried out transactions on behalf of 46 shareholders who had not received their dividends and who had not participated in capital increases in previous years.

Under the PDP system, material event disclosures required to be submitted to the ISE along with financial statements and other company information are submitted in an electronic environment with electronic signatures.

Arçelik A.Ş. has dematerialized the company shares traded on the ISE by registering with the CRA, an agency established to monitor the dematerialization process of securities issued. Arçelik A.Ş. has also entered into an agreement with Yapi Kredi Yatırım Menkul Değerler A.Ş. for the execution of shareholder transactions vis-à-vis the CRA (Central Registry Agency). Arçelik A.Ş. operations are periodically audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, an independent auditing firm (a member firm of the Ernst & Young Global Limited), as well as by internal auditors elected during General Shareholders' Meetings. The Company Articles of Association do not contain any provisions that stipulate the appointment of a special auditor. The company has also not received any requests to appoint a special auditor during the period.

1.3. The Right to Participate in the General Shareholders' Meetings

In order to ensure attendance of maximum number of shareholders, announcements of invitation to the General Shareholders' Meetings are made through all available means of communication, including electronic media, at least three weeks in advance. This is in addition to the methods of invitation stipulated in the applicable legislation. Arçelik's Articles of Association allow for the aforementioned condition to be met.

Following an announcement of General Shareholders' Meetings, Arçelik A.Ş. posts the disclosures and announcements, which is required by the applicable legislation, on its corporate website and shares the following other information with its shareholders:

a) The total number of shares and voting rights, which reflect the shareholding structure of the company, on the date of announcement,

b) Changes in management and activities at the company or the company's subsidiaries and affiliates that would have a crucial impact on any activities, and which took place in the previous accounting period or are planned in the next accounting period, the justifications for these changes as well as the annual reports and annual financial statements of all the institutions which are parties to the said changes.

c) In the event that the agenda of the general shareholders' meeting contains any items which stipulate the discharge, change or election of any members of the Board of Directors, the justification for these and information on the individuals who would be nominated for the Board of Directors,

d) Requests of shareholders, Capital Markets Board (CMB) and/or other institutions and organizations related to the company for any items to be included on the agenda,

e) In the event that the agenda of the general shareholders' meeting contains any items that stipulate for an amendment to any of the articles of association, the list of previous and current items to the articles of association alongside the relevant Board of Directors'resolution.

Concerning the fulfillment of the obligation stipulated in paragraph (c), résumés of individuals who shall be nominated for the Board of Directors; their employment history for the past ten years and reasons for leaving their prior employment; the nature and prominence of their relationships with the company and the company's affiliates; whether they can be considered independent or not, and in the event that these individuals are elected as members of the Board of Directors, any similar concerns which would have an impact on the company's operations are shared with the public within one week of the announcement of the general shareholders' meeting.

All shares of the company's capital stock are nominative. An informative document regarding the agenda items shall be prepared and disclosed to the public on the company's corporate website prior to the general shareholders' meeting. General Shareholders' Meetings are held open to the public, including stakeholders and members of the media, provided that they do not have the right to speak at the meeting. The company has held one general shareholders' meeting in 2011. During the Ordinary General Shareholders' Meeting, which was held on March 23, 2011, during which the company's 2010 operations were discussed, of the 67,572,820,500 shares, 51,659,027,440 (76.45 percent) were represented. The company's shareholders (either in person or by proxy), stakeholders and members of the media attended the meeting. Representatives from several intermediary institutions and banks providing settlement and custody services also attended the meeting as observers. Most of the shareholders' questions were answered during the meeting; however, in cases when the question being asked was not related to the agenda or was too complicated to be answered during the meeting, the answers thereto were required to be provided in writing within 30 working days following the date of the meeting, at the latest.

- According to the Articles of Association, the General Shareholders' Meeting shall be announced at least three weeks in advance in two national newspapers, in the Turkish Trade Registry Gazette, and on the company's corporate website in an effort to reach the highest possible number of shareholders.
- All announcements comply with Corporate Governance Principles.
- Starting on the invitation date of the General Shareholders' Meeting, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Shareholders' Meeting, supplementary documents pertaining to the agenda, the current Articles of Association, the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's corporate website for the convenience and open review of shareholders.

- The company prepares a clear agenda of the General Shareholders' Meeting to avoid any ambiguities and misunderstandings. Such information consists of references and citations pertaining to the agenda items to be discussed.
- Specimen powers of attorney are announced and posted on the company's corporate website for shareholders represented by proxy.
- Voting procedure is announced prior to the meeting and shareholders are duly informed via the company's corporate website.
- During the General Shareholders' Meeting held on March 23, 2011, the company did not receive any requests from shareholders for any additional items to be included on the agenda.

Arçelik does not have any plans to make any significant changes in the company's management or operational organization in the coming future. Should there be any such plans, they shall be disclosed to the public pursuant to the applicable law.

The company holds its General Shareholders' Meetings at a minimum cost to its shareholders. In this respect, the company is also committed to implementing the simplest procedures so as to not encourage inequality among shareholders. Measures are taken to enable the easy participation of shareholders residing both in the country and abroad.

In addition, all documents that foreign shareholders may need in order to be informed about the General Shareholders' Meeting and agendas are translated into English and sent via the banks performing the barter and holding transactions of such shareholders and are also posted on the company's corporate website.

The company makes every effort to hold its General Shareholders' Meeting close to the city center for greater participation and convenience. The number of participants is tracked annually and the meeting venue is designated according to the number of participants. The Ordinary General Shareholders' Meeting was held on March 23, 2011 at the following location: Divan City, Büyükdere Cad. No: 84 Gayrettepe, Istanbul. The location of the General Shareholders' Meeting was easily accessible to all shareholders. Invitations to the General Shareholders' Meeting are issued by the Board of Directors according to the provisions of the Turkish Commercial Code (TCC), Capital Market Law and the Articles of Association. Resolutions made by the Board of Directors for the convention of General Shareholders' Meetings are shared with the public via disclosures filed with the ISE. CMB rules and regulations require that financial statements are disclosed within 14 weeks of the end of the accounting period. However, Arçelik always discloses its financial statements much earlier than this deadline. The financial statements for 2011 year-end were disclosed during the seventh week. Following the disclosure of financial results, the company begins preparations for the General Shareholders' Meeting, which convenes upon completion of the required legal procedures. This year's General Shareholders' Meeting convenes within three months following the end of the accounting period. At these meetings, agenda items are expressed in an impartial and detailed manner through the use of a simple and concise method. A healthy discussion environment is created where shareholders are provided with equal opportunities to express their opinions and raise questions. Board members, auditors, authorized persons responsible for preparing the financial statements and persons in a position to inform shareholders about specific agenda items all participate in General Shareholders' Meetings in order to answer questions and provide necessary information.

The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's Board of Directors and top managers. Concerning the authorization of board members to engage in activities on behalf of the company pursuant to Articles 334 and 335 of the Turkish Commercial Code during the previous General Shareholders' Meeting, if any such transaction or action has taken place, shareholders are informed during the General Shareholders' Meeting. Shareholders who have registered their shares on the blocked shares list kept by the CRA may attend General Shareholders' Meetings to express their opinions, ask questions to the Board of Directors and have these questions answered. Shareholders' voting records on agenda items are recorded in the minutes of the meetings. Each agenda item is voted on separately. General Shareholders' Meetings are held under the supervision of a representative from the Ministry of Science, Industry and Technology. The Board of Directors was authorized to purchase, sell and lease material assets, and the Articles of Association have been amended accordingly. However, pursuant to the provisions of the new Corporate Governance Principles issued by the CMB, efforts are underway to make the necessary amendments to the company's Articles of Association prior to the General Shareholders' Meeting to be held in 2012. During General Shareholders' Meetings, shareholders are also informed about donations the company makes to charitable foundations and associations by the inclusion of a separate agenda item.

The minutes of General Shareholders' Meeting are posted on the company's corporate website and are also made available to shareholders at the company's headquarters. The shareholders are provided with a copy of the minutes upon request.

1.4. Voting Rights

Arçelik informs its shareholders of voting procedures at the beginning of all General Shareholders' Meetings. The company avoids engaging in actions which may complicate the use of voting rights and each shareholder is given the opportunity to exercise his/her voting right, including cross-border voting, in the most appropriate and convenient manner.

The company's Articles of Association do not confer any special voting privileges. Each share carries one vote. The legal entity subsidiaries of Arçelik are not allowed as shareholders. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

1.5. Minority Rights

Minority shareholders attend the General Shareholders' Meetings and comprise the company's management with majority shareholders. In 2011, our company has not received any criticism or complaint concerning this issue.

1.6. Dividend Rights

Arçelik A.Ş. has adopted a dividend payment policy which seeks to establish a balance between the interests of its shareholders and the company in accordance with Corporate Governance Principles. The profit distribution policy of Arçelik for 2011 and upcoming years is based on the principle of "the long-term average of the dividend to be distributed, which shall be submitted by the Board of Directors to the approval of the General Shareholders' Meeting, will not be less than 50 percent of the company's annual distributable income, within the bounds of the existing legislation and investment requirements of the company." The company's dividend policy is incorporated in the annual report and posted on the company's corporate website.

The company's profit distribution process is carried out in accordance with the provisions of the TCC and rules and regulations of the CMB, within statutory periods. At the General Shareholders' Meeting held on March 23, 2011, the gross dividend rate was set at 36.997 percent (net 31.449 percent) based on 2010 financial results and distribution began as of March 29, 2011. The Articles of Association do not grant any privileges regarding partaking in the company's profits. According to the company's Articles of Association, the Board of Directors may distribute dividends in advance, provided that this action has been authorized by the General Shareholders' Meeting and complies with the Capital Market Law and rules and regulations of the CMB. The authority to distribute dividends in advance granted to the Board of Directors by the General Shareholders' Meeting is limited to the year when the authorization is issued.

1.7. Transfer of Shares

The Articles of Association do not include any provisions which hinder or impede the transfer of shares.

2.1. Principles and Means for Public Disclosure

Public Disclosure Policy

Arçelik's public disclosure policy was submitted for shareholders' review at the Ordinary General Shareholders' Meeting held on March 25, 2009 and posted on the company's website. The public disclosure policy is updated in compliance with new rules and regulations and submitted for shareholders' review during each General Shareholders' Meeting by the inclusion of a separate agenda item.

Purpose

As one of the most important companies operating in both the domestic and global durable goods industry, Arçelik A.Ş. pursues a policy of informing its shareholders and stakeholders about all activities related to company management in a fair, transparent, complete, accurate and accessible manner, in accordance with the provisions of the Capital Market Law and other applicable laws. The purpose of the public disclosure policy is to define rules for sharing past performance, expectations, strategies, goals and vision of the company with the public, concerned authorities, existing and potential investors and shareholders in a fair manner, and to disclose financial information in an accurate, fair, timely and comprehensive way within the framework of the generally accepted accounting principles (GAAP) and the Capital Market Law by establishing a continuous, effective and open communication platform.

Pursuing an active and transparent public disclosure policy, Arçelik A.Ş. complies with the Capital Market Legislation and rules and regulations of the ISE and aims to implement an effective communication policy within the framework of CMB's Corporate Governance Principles. Information to be disclosed is prepared in such a way to help individuals and institutions in their decision-making and are posted on the Public Disclosure Platform (PDP) (www.kap.gov.tr) and the company's website in an accurate, complete, comprehensible, interpretable and easily-accessible manner at a low cost. Furthermore, Arçelik A.Ş. uses the e-GOVERNANCE: Corporate Governance and Investor Relations Portal, developed by the CRA, to inform shareholders in a direct and effective manner.

Authority and Responsibility

Arçelik's public disclosure policy was created upon the recommendation of the Board of Directors. At Arçelik, it is the responsibility of the Board of Directors to pursue, supervise and further develop the public disclosure policy. The Finance Director and Corporate Communications Coordinator are responsible for coordinating the disclosure function under the supervision of the Assistant General Manager of Finance and Accounting. They fulfill their responsibilities in close coordination with the Board of Directors and Audit Committee.

Methodology and Tools

Arçelik A.Ş. has identified the following methods and tools to use while setting its public disclosure policy within the framework of the Capital Market Legislation, rules and regulations of the ISE and TCC:

1. Material Event Disclosures (English translations of the mentioned disclosures are also delivered to foreign investors and are posted on the company's website in both Turkish and English)
2. Financial statements and footnotes, independent audit reports and statements are submitted to the ISE PDP regularly (these reports are also available on the company's website. Annual reports and financial presentations are disclosed in an electronic environment and on the company's website).
3. Annual reports (made available in hard copy format and may also be accessed by the company's website)
4. The company's website (www.arcelikas.com)
5. Announcements and disclosures made through the Turkish Trade Registry Gazette and daily newspapers
6. Periodic and other issue-based press releases in the visual and print media
7. Statements made to data distribution companies such as Reuters, Foreks, Bloomberg etc.
8. Face-to-face meetings or teleconferences held with investors and analysts
9. Means of communication and tools such as telephones, e-mail, telefax etc.
10. Prospectuses, circulars, announcements and other documents required by Capital Market Regulations

Material Event Disclosures

Arçelik A.Ş. material event disclosures are prepared by the Finance Directorate and Legal Consultancy Department and submitted to the ISE after they are signed, as a rule, by two of General Manager, the Assistant General Manager of Finance and Accounting or the Finance Director. In the event that the required signatories are absent, other Assistant General Managers and Accounting Directors are authorized to sign the material event disclosures. Material event disclosures are submitted to the ISE as PDP announcements in electronic format.

Public Disclosure of Financial Statements

Arçelik A.Ş. financial statements are prepared in accordance with the provisions set out by the CMB and disclosed to the public after being audited by an independent audit firm, which conducts its auditing activities in compliance with International Auditing Standards. Before financial statements and footnotes are disclosed to the public, they are submitted to the Board of Directors for approval accompanied by the positive opinion of the Audit Committee within the framework of the Capital Market Legislation. Afterwards, statements, footnotes and the independent audit report are submitted to the ISE after the attestation is signed by the General Manager, Assistant General Manager of Finance and Accounting or the Accounting Director in accordance with the Capital Market Law and rules and regulations of the ISE. These financial statements and footnotes, prepared both in Turkish and English and in retrospective order, can be accessed by logging into the Investor Relations section of Arçelik's website. Moreover, the Shareholder Relations Unit periodically issues memorandums or presentations on financial data and ratios, which are also posted on the company's website in order to make financial data more clear.

Annual Reports

Annual Reports are prepared in accordance with international standards, legislation of the Capital Markets and CMB's Corporate Governance Principles. After an annual report is completed, it is submitted to the Board of Directors for approval and disclosed to the public by being posted, both in Turkish and English, on the company's website. Furthermore, both hard and soft copies in CD format may be obtained from Arçelik's Shareholder Relations Unit.

Corporate Website

Arçelik A.Ş. website is a user-friendly platform that allows all of its stakeholders to monitor the performance of the company's shares by means of various tools such as charts and calculators. The vast majority of the information posted on the company's website is provided both in Turkish and English. Visitors may also access past analyses and reviews as well as the latest information of the company. The most important accessible information on the company's website are as follows:

- Detailed information on corporate identity
- Vision and main strategies
- Information about the members of the Board of Directors and top managers
- Important resolutions made by the Board of Directors
- Organizational chart and partnership structure
- Articles of Association
- Trade registry information
- Financial data, indicators and analysis reports
- Press releases
- Material Event Disclosures
- Share performance data, charts and calculators
- Investor presentations
- Analyst details and reports assesing the company
- Dates and agendas of General Shareholders' Meetings and comments on agenda items
- Minutes of General Shareholders' Meetings and lists of attendees
- Power of attorney specimen
- Corporate governance practices and corporate governance compliance reports
- Dividend distribution policy and history; capital increases
- Public disclosure policy
- Frequently asked questions
- Detailed information on corporate social responsibility
- Codes of conduct disclosed to the public within the framework of the public disclosure policy

Announcements and disclosures published in the Turkish Trade Registry Gazette and daily newspapers

Announcements regarding General Shareholders' Meetings, capital increases and dividend distributions are published both in the Turkish Trade Registry Gazette and in daily newspapers in accordance with the Capital Market Law, Turkish Commercial Code and Articles of Association. In order to ensure attendance of a maximum number of shareholders, announcements of invitation to the General Shareholders' Meetings are published in newspapers and on the company's website at least three weeks prior to the start of meetings.

Starting on the invitation date of the General Shareholders' Meeting, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Shareholders' Meeting, supplementary documents pertaining to the agenda, the current Articles of Association, and the text and reasons of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the company's website for their convenience and open review. Agendas of General Shareholders' Meetings are prepared in such a way to avoid any ambiguities or misunderstandings. Among the agenda items are: discussion and approval of financial statements, acquittal of members from the Board of Directors and Auditors for the operations they have carried out on behalf of the company during the relevant accounting period, election of members to the Board of Directors and Auditors whose terms of reference are defined in the Articles of Association, selection and approval of an independent audit firm, acceptance of the dividend distribution policy, and resolutions to amend the Articles of Association, corporate governance compliance report and public disclosure policy. For those shareholders who will be represented by proxy at the General Shareholders' Meeting, power of attorney specimens are included in the announcement and also posted on the company's website.

Periodic and other issue-based press releases published through the visual and print media

Arçelik A.Ş. Corporate Communications Unit provides in-depth information to the public by releasing controlled information to the press and media, in both Turkey and abroad, in parallel with important developments taking place during the year. During these meetings, the General Manager of Arçelik A.Ş. or concerned top managers deliver comprehensive and informative presentations to members of the press and media about the companies' performance and general developments related to Arçelik A.Ş. They answer their questions. In addition to these periodic press conferences, media outlets are provided with written press releases on developments that must be disclosed to the public in an accurate and controlled manner. Such disclosures can also be made by a press conference, depending on the nature of the development. All questions or information requests made by members of the press or media in relation to developments and company performance are considered and responded to in writing, either negatively or positively.

Statements made to data distribution companies such as Reuters, Foreks, Bloomberg etc.

Arçelik A.Ş. Corporate Communications Unit delivers all written press releases that were delivered to the visual and print media to data distribution companies such as Reuters, Foreks, Bloomberg etc. as well. It also invites those press and media organizations whose news reports and editorials are appropriate to attend the press conferences it organizes.

Investor and Analyst Meetings

Arçelik A.Ş. has set up a Shareholder Relations Unit which is responsible for handling relations with both existing and potential shareholders, responding to investors' questions as satisfactorily as possible and managing efforts to enhance the company's value. The Shareholder Relations Unit reports to the Assistant General Manager of Finance and Accounting.

Top management of the Company and the Shareholder Relations Unit meet with intermediary institutions, analysts and investors regularly in order to communicate Arçelik's operational and financial performance, vision, strategy and goals as effectively as possible and to deliver presentations, Q&A and fact sheets. Any meeting requests from shareholders are responded to in a positive manner and shareholders are provided with the opportunity to meet with members of the company's top management. Arçelik A.Ş. also allows its shareholders and analysts to keep themselves up-to-date with the latest developments about the company through its regularly-updated corporate website and memorandums, which are delivered to the shareholders via the Internet.

In order to strengthen shareholder relations, the company participates in local and international investor meetings. During these meetings, which are held at the company's headquarters, company management answer questions raised by the investors.

Arçelik A.Ş. also organizes teleconferences and delivers investor presentations following the disclosure of financial statements and material event disclosures. Details of these disclosures are shared with the public on the company's website.

Explanations for Forward-Looking Statements

Arçelik A.Ş. may make forward-looking statements in relation to its public disclosure policy. The forward-looking statements made by the company in written format are based on certain assumptions; due to risks, ambiguities or other factors, actual results may be significantly different from the expected results expressed in the statements; investors are advised to take this into account. In case the predictions expressed in the forward-looking statements disclosed to the public by the company are not realized or turn out to be impossible to be realized, the company reviews the predictions and their assumptions as soon as possible and disclose the revised information, to the public immediately.

News and Rumors about the Company

Arçelik A.Ş. monitors company-related news in both visual and print media through a contracted domestic media-monitoring agency. Company-related coverage is delivered in report format to the desks of top managers every morning and contents of the coverage are checked for accuracy. In addition, Arçelik's top managers, Shareholder Relations Unit and Corporate Communications Unit monitor local and international news coverage using the services provided by data distribution organizations such as Reuters, Bloomberg and IBS.

If Arçelik A.Ş. wishes to make an announcement about any coverage or rumors about the company that is found in the press but that does not oblige the company to make a material event disclosure, the matter may be added to the company's agenda by the Assistant General Manager of Finance and Accounting and a material event disclosure may be made.

If the news is not considered as important as inside information, the company does not make any material event disclosure. However, it is the prerogative of the Corporate Communications Unit to decide whether there is any merit in making a material event disclosure on a subject that does not impose any obligation on the company to make such a disclosure according to the CMB Communiqué.

False News and Rumors

As a matter of principle, Arçelik A.Ş. does not comment on any news which is not issued by the company or that appears to be gossip, rumor and/or false. However, if it deems necessary, Arçelik may comment on such news in order to protect the interest of the company's shareholders.

News Pertaining to Information Whose Disclosure is Postponed

If Arçelik A.Ş. has postponed the disclosure of inside information with the purpose of protecting the confidentiality of said information and preventing damage to its legitimate interests, and there is still news appearing in the media on the matter, then, as a matter of principle, Arçelik does not comment. However, Arçelik A.Ş. reserves the right to make an announcement in order to protect the interests of the company and its investors.

During the period of postponement, no further comments are made and no statements contradicting such news are issued. It may be expressed that no further information will be provided on the process and that the public will be informed when the situation is clarified.

Measures for the Protection of Inside Information until Public Disclosure

Parties privy to inside information and those in contact with Arçelik employees are informed of their obligation to protect any such information during the emergence of a situation where a material event disclosure has to be made, and during the period of time from the emergence of that situation where a material event disclosure has to be made to the announcement of that material event by the ISE.

As a matter of principle, Arçelik A.Ş. and persons who work on behalf and on account of it shall not disclose any information that can be considered a material event and that is yet to be disclosed to the public, to any third parties. If it is determined that inside information has been disclosed by these people to any third parties unintentionally and it is concluded that the confidentiality of the information cannot be protected, then a material event disclosure is made in accordance with the rules and regulations of the CMB.

If the public disclosure of such information is postponed, a list is drawn up that includes the names of those individuals who have access to the information at the time of postponement, and "Arçelik's List of Persons Privy to Inside Information" is updated accordingly. The necessary work is completed to inform these persons and the other parties privy to the inside information, and reasonable measures are put in place.

Criteria Used to Determine People with Administrative Responsibility

Administrative staff who are privy to inside information are determined according to the scope of the information to which they have access. Accordingly, managers and employees who are privy to detailed information about only a certain portion of the company's business activities shall not be considered people who have access to inside information.

However, members of the Board of Directors, General Managers, Assistant General Managers and some top Managers who work at the headquarters who have detailed information related not only to present but also future plans about the entire company shall be considered people who have access to inside information. "Arçelik's List of Persons Who Are Privy to Inside Information," which is prepared according to these criteria, is disclosed to the public in accordance with the provisions of the relevant communiqués issued by the CMB.

Ensuring Confidentiality of Information Subject to Public Disclosure

In maintaining the balance between providing transparency and protecting the interests of the company, employees are urged to follow the rules regarding the use of inside information. All the necessary measures and precautions are taken for the prevention of insider trading.

The "Principles of Business Ethics", which are published across the company, clearly outline the code of conduct expected of Arçelik A.Ş. employees.

Any company-owned information obtained during the course of employment and which the company does not want to be disclosed to any third parties except those who are intended to receive the information, and which are designated as trade secret, are considered"Company Proprietary Information." All employees are under obligation to protect company proprietary information during and after their employment at Arçelik A.Ş. and may not use any such information directly or indirectly. Arçelik's employees may not engage in any activity which would allow them to gain personal benefit by purchasing and selling Arçelik A.Ş. shares or those issued by any other Koç Group company, using the inside information they have become privy to during the course of their employment.

Arçelik imposes a "Silent Period" a period of time during which company representatives avoid sharing any information subject to public disclosure before an official announcement regarding the financial results of the concerned accounting period. The Silent Period begins three weeks before the announcement of year-end results and two weeks before the announcement of the quarterly results.

Designations and appointments, which have been disclosed to the public through material event disclosures, to the Company's Board of Directors and top management in 2011 are as follows:

Board of Directors	
Rahmi M. Koç	Chairman
Mustafa V. Koç	Vice Chairman
Dr. Bülent Bulgurlu	Member
O. Turgay Durak	Member
Robert Sonman	Member
Semahat S. Arsel	Member
Temel K. Atay	Member
Ömer M. Koç	Member
Ali Y. Koç	Member
A. Gündüz Özdemir	Member
Levent Çakıroğlu	Member
Board of Auditors	
İnanç Kiraz	
İbrahim Murat Çağlar	

Members of the Board of Directors and Board of Auditors were elected by the resolution made during the Ordinary General Shareholders' Meeting held on March 23, 2011.

The members of the Committees appointed by the Board of Directors are as follows:

Audit Committee	
Temel K. Atay	Member
Robert Sonman	Member
Corporate Governance Committee	
Dr. Bülent Bulgurlu	Member
O. Turgay Durak	Member
Fatih K. Ebiçlioğlu	Member
Risk Management Committee	
Rahmi M. Koç	Chairman
Semahat S. Arsel	Member
Dr. Bülent Bulgurlu	Member
Temel K. Atay	Member
Investment and Business Development Committee	
Mustafa V. Koç	Chairman
Ömer M. Koç	Member
Ali Y. Koç	Member
O. Turgay Durak	Member
Levent Çakıroğlu	Member
Top Management	
Levent Çakıroğlu	General Manager
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager, Sales - Turkey, Middle East, Africa and Turkic Republics
Tülin Karabük	Assistant General Manager, Marketing
Hakan Hamdi Bulgurlu	Assistant General Manager, Sales - Europe, America and Asia-Pacific
Cemal Şeref Oğuzhan Öztürk	Assistant General Manager - Purchasing and Supply Chain

Levent Çakıroğlu

General Manager

Having started his professional business career as an Assistant Accounting Specialist at the Ministry of Finance in 1988, Levent Çakıroğlu joined Koç Group in 1998 as an Accounting Coordinator. Çakıroğlu served as Koçtaş's and Migros's General Manager from 2002 to 2007 and 2007 to 2008, respectively. He has served as Arçelik A.Ş. General Manager since August 2008.

İsmail Hakkı Sağır

Assistant General Manager, Production and Technology

Having started his professional business career as a Project Engineer at Arçelik's Refrigerator Plant in 1980, İsmail Hakkı Sağır has served as Assistant General Manager of Production and Technology at Arçelik A.Ş. since May 2009.

Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager, Finance and Accounting

Having started his professional business career as an Assistant Accounting Specialist at the Ministry of Finance in 1989, Dr. Fatih Kemal Ebiçlioğlu has served as Assistant General Manager, Finance and Accounting at Arçelik A.Ş. since 2005.

Şirzat Subaşı

Assistant General Manager, Sales - Turkey, Middle East, Africa and Turkic Republics

Having started his professional business career as a Sales Representative at Beko Ticaret A.Ş. in 1986, Şirzat Subaşı has served as Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics at Arçelik A.Ş. since May 2009.

Tülin Karabük

Assistant General Manager, Marketing

Having started her professional business career as an Area Manager for the Eastern Bloc Countries at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987, Tülin Karabük has served as Assistant General Manager, Marketing at Arçelik A.Ş. since September 1, 2010.

Hakan Hamdi Bulgurlu

Assistant General Manager, Sales - Europe, America and Asia-Pacific

Having started his professional business career at Ram Dış Ticaret in 1995, Hakan Hamdi Bulgurlu has served as Assistant General Manager, Sales - Europe, America, Asia-Pacific at Arçelik A.Ş. since September 1, 2010.

Cemal Şeref Oğuzhan Öztürk

Assistant General Manager, Purchasing and Supply Chain

Having started his professional business career at the Institute of Materials Science at Istanbul Technical University in 1982, Cemal Şeref Oğuzhan Öztürk has served as Assistant General Manager - Purchasing and Supply Chain at Arçelik A.Ş. since September 1, 2010.

All material event disclosures are posted simultaneously in both Turkish and English on the company's website.

Information requests received from outside the company are answered, depending on the content of the specific request, either by top management or by the Shareholders Relations Unit, provided that it is within their knowledge and prerogative.

Consolidated financial statements and their footnotes are prepared in accordance with the provisions of the CMB Communiqué Serial: XI, No: 29 and disclosed to the public after being audited by an independent audit firm. Following disclosure of financial statements, Arçelik prepares presentations in order to make it easier for analysts to conduct their own assessments of the results, and the company shares these presentations with the public through its corporate website.

In compliance with Capital Market legislation, members of the Board of Directors, top managers and shareholders, who directly or indirectly own five percent of the company's capital, disclose to the public and post on the company's website all the transactions performed on the company's capital market instruments.

Annual reports are prepared in accordance with Capital Markets legislation, rules and regulations of the CMB and Article 2.3 of the CMB's Corporate Governance Principles, concerning the preparation of annual reports.

Arçelik A.Ş. has made 23 material event disclosures in 2011. There were no requests for additional explanations from the CMB and/or ISE regarding the material event disclosures made in 2011. Arçelik has not been required to make any material event disclosures other than those made to the ISE since it does not have any capital market instruments listed on any foreign stock exchanges. The company has made all of its material event disclosures in 2011 within the period of time required by law and therefore the Company has not been subject to any sanctions by the CMB.

2.2 Corporate Website

Arçelik A.Ş. uses its corporate website (www.arcelikas.com) actively in order to communicate more effectively and rapidly with its shareholders, in accordance with CMB's Principles. The company updates the information posted at www.arcelikas.com regularly. The information posted at the company's website is the same as or consistent with the material event disclosures made in accordance with the applicable laws. They are complete and do not contain any contradictory information. In addition to the information required to be publicly disclosed by the applicable laws, the company's website provides the following information: trade registry information, the latest partnership and management structure, the notification that the company has not issued any preferred shares, the latest version of the company's Articles of Association together with dates and numbers of the Turkish Trade Registry Gazettes that contain the amendments made; material event disclosures, financial statements annual reports, prospectuses and IPO circulars, agendas of General Shareholders' Meetings and list of attendants and minutes, proxy voting form, dividend distribution policy, public disclosure policy, ethical rules of the company and answers to frequently asked questions. Accordingly, such information for the last five years is available on the company's website.

The company's website is provided both in Turkish and English in compliance with the content and design required by CMB's Principles. It is the responsibility of the Shareholder Relations Unit to prepare, update and contribute to the content posted on the Investor Relations section of the company's website. Arçelik makes every effort to provide visitors of its corporate website with better service. The company has accordingly renewed its website in 2011.

Public disclosure of the company's ultimate real person shareholders would not lead to any impact on Arçelik's shareholders. The fact that the Koç Family has been the ultimate real person controlling shareholders of the company is common knowledge.

2.3 Annual Reports

Arçelik A.Ş. Board of Directors prepares the company's annual reports in sufficient detail to ensure that the public is able to access complete and accurate information about the company's activities.

In addition to the information required to be included by the applicable law and CMB's Corporate Governance Principles, annual reports contain the following:

a) Information about positions held by members of Board of Directors outside the company in their résumés,
b) Information on the names of members of the committees of the Board of Directors, the frequency of meetings and the functions carried out,
c) Information about corporate social responsibility activities conducted by the company that have social and environmental consequences and that have an impact on the social benefits enjoyed by employees and the vocational training they receive,
d) List of Persons Who Are Privy to Inside Information.

In maintaining the balance between providing transparency and protecting the interests of the company, employees are urged to follow the rules regarding the use of inside information. All the necessary measures and precautions are taken to prevent insider trading. The "Principles of Business Ethics," which are published throughout the company, clearly outline the code of conduct expected of Arçelik A.Ş. employees.

Any company-owned information obtained during the course of employment and that the company does not want to be disclosed to any third parties except those who are intended to receive the information, and that are designated as trade secret, are considered to be "Company Proprietary Information." All employees are expected to preserve Proprietary Information during and after their employment at Arçelik A.Ş. and they shall not use such information directly or indirectly. Arçelik's employees cannot engage in any activity which would allow them to gain personal benefit by purchasing and selling Arçelik shares or those issued by any other Koç Group company, using the inside information they have become privy to during the course of their employment.

Top managers are required to disclose those transactions they conduct by selling or buying capital market instruments issued by the company to the public, if their positions in the company allow them access to information that may affect the value of capital market instruments. These disclosures are also posted on the company's website.

The list of persons who are privy to inside information is given below:

Name and Surname	Position
Rahmi M. Koç	Chairman
Mustafa V. Koç	Vice Chairman
Dr. Bülent Bulgurlu	Member
O. Turgay Durak	Member
Robert Sonman	Member
Semahat S. Arsel	Member
Temel K. Atay	Member
Ömer M. Koç	Member
Ali Y. Koç	Member
A. Gündüz Özdemir	Member
Levent Çakıroğlu	Member - General Manager
İnanç Kiraz	Auditor
İbrahim Murat Çağlar	Auditor
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager, Sales - Turkey, Middle East, Africa and Turkic Republics
Tülin Karabük	Assistant General Manager, Marketing
Hakan Hamdi Bulgurlu	Assistant General Manager, Sales - Europe, America and Asia-Pacific
C. Ş. Oğuzhan Öztürk	Assistant General Manager, Purchasing and Supply Chain
Ali Tayyar	Accounting Director
İhsan Somay	Accounting Director
Sibel Kesler	Budget, Reporting and Analysis Director
Türkay Tatar	Finance Director
Ertuğrul Evren	Accounting Manager
Gökhan Otaç	Accounting Specialist
Kemal Ersalıcı	Accounting Specialist
Alparslan Görgülü	Consolidation Manager
Erdem Topoyan	Consolidation Specialist
Enis Atasoy	Consolidation Staff
Nesrin Cengiz	Budget Manager
Nilüfer Bayrak	Budget and Planning Specialist
Hande Sarıdal	Treasury Manager
Levent Arasıler	Financial Markets Specialist
Hümeyra Özener	Reporting Manager
Burcu Bekar	Reporting Staff
Ayşe Beril Başlıgil	Reporting Specialist
Bülent Alagöz	Capital Markets Regulation Compliance Manager
Turhan Sarı	Capital Markets Regulation Compliance Specialist
Fulya Kırayoğlu	Investor Relations Specialist
Ahu Özlen	General Manager Assistant
Ertan Ayhan	Independent Audit Firm Engagement Partner, Lead Auditor
Mehmet Can Altıntaş	Independent Audit Firm Staff
Tolga Koyuncu	Independent Audit Firm Staff
Şiba İlhan	Independent Audit Firm Staff
Çiğdem Elagöz	Independent Audit Firm Staff
Mustafa Camadan	Independent Audit Firm Staff
Nilay Bilgier	Independent Audit Firm Staff
Ahmet Feridun Güngör	Certified Public Accountant - Partner
Eray Asil	Certified Public Accountant - Director (Tax)
Onur Elele	Certified Public Accountant - Senior Manager (Tax)
Sercan Bahadır	Certified Public Accountant - Senior Manager (Customs Services)
Can Sözer	Certified Public Accountant - Manager (Tax)
İlter Oktay	Certified Public Accountant - Senior (Tax)

3.1. Company Policy Regarding Stakeholders

Stakeholders are third parties who are directly involved with the Company. The company provides information to its stakeholders on matters of interest by organizing meetings or using teleconferences. Taking into account the fact that engagement stakeholders would provide long-term benefits to the company, Arçelik respects the rights of its stakeholders that are protected by laws, mutual arrangements and contracts. Arçelik's corporate governance structure allows all its stakeholders, including employees and representatives, to communicate their concerns regarding illegal or unethical practices to the company's top management. Arçelik's nearly 3,300-dealers constitutes a major stakeholder group that is directly connected to the company. Arçelik holds regular "Dealer Meetings" throughout the year to keep its dealers up-to-date on company policies, targets and recent economic developments as well as to create a more effective system by listening to the dealers' problems and concerns. Besides there are approximately 4,000 suppliers providing direct, indirect materials, services and capital goods to the Company. 1,400 of these suppliers which account for 80% of Arçelik's total purchasing volume, are direct material suppliers. Arçelik shares the business results achieved during the previous year and the company's strategies, policies, targets and expectations for the current year with its suppliers by organizing supplier meetings, visits, and inspections and through the supplier portal.

Employee relations, which are managed by collective bargaining, are carried out through meetings organized with union representatives. Arçelik and its blue-collar employees are members of the Turkish Employers' Association of Metal Industries (MESS) and Turkish Metal Workers Union (TURKMETAL), respectively. MESS and TURKMETAL signed a Collective Bargaining Agreement effective from September 1, 2010 through August 31, 2012, which was signed in November 2010.

3.2. Stakeholders' Participation in the Company's Management

Support mechanisms and models are created to encourage stakeholders especially employees to participate company's management without hindering the company's operations.

Participation of stakeholders in management is provided by instruments such as proposals and surveys. Arçelik A.Ş. involves the workers' union in its decision-making processes and obtains their approval before implementing operational changes that concern such issues as working conditions, work environment and employee benefits. Arçelik A.Ş. also encourages its dealers, who are in close contact with the company, to participate in the company's management by organizing "Dealers Meetings."

3.3. Human Resources Policy

Taking firm steps towards becoming a global company by adopting the vision of "Respects the Globe, Respected Globally," Arçelik A.Ş. always aims the highest and considers its human resources to be its most important capital that will carry the Company into the future.

Arçelik A.Ş. has committed its Human Resources Policies, which have been determined in accordance with the Company's strategies, shared values, and work ethics, to paper and shared it with its domestic and overseas employees.

Arçelik's fundamental principles, which form the foundation of the Company's Human Resources Policy, are given below. Arçelik A.Ş. bases its Human Resources practices on these principles:

- There is a global-local balance in human resources systems and practices. As an international company, local laws, practices and requirements are respected. Local laws take precedence in situations where Arçelik's human resources policies and practices come into conflict with them.
- Arçelik's human resources policies are fully aligned with the company's business strategies and also respond to future needs on top of current organizational requirements.
- Arçelik's human resources processes and practices, which respect and support human rights, oblige the company to avoid any discrimination and create equal opportunities for its employees. Arçelik A.Ş. does not discriminate based on ethnic origin, race, nationality, disability, political affiliation, religion, age, gender or sexual orientation.
- Fairness, consistency and trust lies at the heart of all human resources practices implemented by Arçelik A.Ş.
- Arçelik A.Ş. revises its human resources practices systematically and regularly in order to continuously improve its human resources standards and restructures its human resources processes in light of latest developments and the feedback it receives.
- Arçelik A.Ş. ensures the confidentiality of its employees' personal information, as required by applicable laws.

Industrial Relations

Arçelik A.Ş. respects and supports the rights of its employees to organize and form unions in accordance with the company's industrial relations policy. The company pays strict attention to maintaining the peaceful working environment it has created on the basis of mutual trust between its employees and unions and by respecting the applicable law and collective bargaining agreements. Arçelik takes local conditions, customs and practices, which are indigenous to the regions and countries in which it operates, into account in order to maintain the peaceful working environment it has created, even though these local conditions, customs and practices are not included in the agreements into which the company has entered.

Arçelik A.Ş. does not consider labor unions as adversaries but as social stakeholders, in accordance with its industrial relations policy. Arçelik A.Ş. attaches great importance to being on good terms with labor unions and in acting in accordance with them. Providing better working conditions to its social stakeholders is an important goal of the company. Accordingly, on top of ensuring compliance with the applicable laws, Arçelik A.Ş. makes efforts to provide better working conditions and occupational health and safety for its employees and to offer various social benefits such as marriage, maternity, food allowances etc., to incorporate said benefits in the collective bargaining agreements and to monitor their implementation.

Arçelik A.Ş. provides the following social benefits to its employees in Turkey in accordance with the provisions of the collective bargaining agreements:

- Arçelik A.Ş. employees receive four bonus payments every year,
- Fuel allowance,
- Special allowance before annual vacations,
- Special allowance before religious holidays,
- Monthly child allowance,
- Childbirth, marriage, death, military service and education allowances,
- Transportation and daily food allowances, which are offered in-kind,
- Annual leave entitlements, which are specified under collective bargaining agreements, irrespective of whether they are members of a labor union or not, Arçelik employees are entitled to annual leaves longer than those provided under the law.
- Starting positions and wages of union employees are determined based on the type of work they will perform according to the collective bargaining agreement.

The Collective Bargaining Agreement ,which covers all Arçelik employees and is effective from September 1, 2010 through August 31, 2012, was signed in November 2010.

Occupational Health and Safety

Considering its human resources as the company's most important capital, Arçelik A.Ş. aligns its Occupational Health and Safety Policy with the applicable laws and business processes and encourages the execution of planned and systematic efforts in the area of Occupational Health and Safety.

Arçelik A.Ş. Occupational Health and Safety Policy:

We, Arçelik and its employees, follow the national and international legal procedures and regulations and strive to create a healthy and safe working environment within the scope of an Occupational Health and Safety Management System, which is based on continuous improvement.

- *Through analysis, we strive to minimize health and safety risks that may arise in the work environment,*
- *We conduct training activities in order to create and raise awareness about issues related to occupational health and safety,*
- *We strive to increase our productivity by taking measures to achieve a total safety industrial accident rate and occupational disease rate of zero percent,*

We complement such efforts by supporting them with Quality and Environmental Management Systems and strive to be an exemplary company in the durable goods industry through our pioneering initiatives in the area of occupational health and safety.

In accordance with this policy, occupational health and safety is included as a criterion among other target criteria set for departments and individuals as part of the Performance Management System. Arçelik A.Ş. has significantly improved its occupational health and safety performance as a result of these concerted efforts.

In 2011, compared to the previous year:

- The industrial accident frequency rate has dropped by 32 percent, and
- The industrial accident severity rate has dropped by 28 percent.

Arçelik A.Ş. has also increased the productivity of its employees thanks to a decline in industrial accidents and a reduction in workday losses.

Arçelik A.Ş. provides guidance to its employees regarding occupational health and safety on a regular basis and encourages them to communicate among themselves and with their managers on issues related to occupational health and safety. Arçelik A.Ş. has provided its employees with 51,464 man-hours of training on occupational health and safety issues in 2011.

Having taken measures to achieve a total safety industrial accident rate and occupational disease rate of zero percent, Arçelik A.Ş. continues its efforts by involving employees at every level of the company and allocating the necessary resources to achieve desired targets.

Having fully committed itself to fulfilling existing and future requirements of the company, Arçelik A.Ş. provides equal opportunities to all candidates who possess the appropriate training, knowledge, skills, competencies and experience in accordance with its ethical principles. The fact that the company employs graduates from 81 different universities testifies to Arçelik's commitment to the principle of equal opportunity for all.

The total number of domestic and overseas employees of Arçelik by 2011 year end is as follows:

Number of employees by 2011 year-end	Total
Turkey	14,631
Abroad	7,329
Arçelik Group	21,960

The average length of service and age of employees in Turkey is 7.6 years and 33.2, respectively.

Arçelik A.Ş. strives to improve the company's performance continuously by contributing to the professional development of its employees in accordance with its vision and business targets. Arçelik A.Ş. aims to make an effective and productive use of its resources when creating plans for both the current and future professional development needs of its employees.

In 2011, Arçelik A.Ş. provided its employees with 292,208 hours of training, which corresponds to 20 hours on average per employee. This indicates an increase of 30 percent in the number of hours devoted to training when compared to 2010.

Arçelik A.Ş. believes that personal success is a prerequisite for organizational success. Arçelik A.Ş. accordingly has put various professional development systems in place in order to improve the performance of its employees in accordance with the company's targets. Arçelik A.Ş. has also adopted a fair but competitive compensation policy in compliance with the applicable laws.

Arçelik A.Ş. seizes upon, rewards and promotes every kind of achievement, discovery and/or proposal in order to boost the motivation, loyalty and productivity of its employees and encourage them to make their own contributions to the success of the company.

Instead of carrying out the Work Life Evaluation Survey, which is conducted every year, Arçelik A.Ş. has conducted an Employee Loyalty Survey in 2011. The survey attempts to measure Arçelik's employees' views of the company, the work they engage in and management and top management strategies. The employees have provided feedback on various processes such as performance, rewards, internal communication, etc. Arçelik A.Ş. has shared the survey results with its employees and intends to transform them into action plans.

3.4. Relations with Customers and Suppliers

Arçelik A.Ş. considers costumer and supplier satisfaction among its top priorities. The Company monitors customer satisfaction regularly and issues reports. Arçelik A.Ş. cherishes the confidentiality of customer and supplier data, which the company considers to be trade secrets.

The singular goal of all the efforts and investments made by the Arçelik Call Center is not only to provide the company's customers a high level of service on a 24/7 basis, but also to ensure a smooth dialogue between them and Arçelik, respond to their proposals and requests more rapidly and maximize their level of satisfaction. One of the primary functions of the Arçelik Call Center is to contribute to the development of new products that meet customer expectations by providing a smooth flow of information in the form of suggestions and complaints to the relevant units of the Company.

Thanks to its state-of-the-art facilities, which give the Company a competitive edge over its competitors, the Arçelik Call Center's unique position is sustained by the variety of communication channels it has established with its consumers. Arçelik responds to a majority of its consumer requests, which it receives through both traditional communication channels such as fax and post and modern ones such as telephone and e-mail, instantly by phone (First Line Support). Committed to raising its level of service each day, Arçelik Call Center also conducts customer satisfaction surveys to tap into its customers and considers feedback surveys to be an opportunity to improve its operations.

Arçelik Call Center, which since 1991 has maintained a high level of dialogue with its domestic customers and has strived to achieve high levels of customer satisfaction, has continued to expand its abroad call center services network in order move closer to its goal of becoming an international call center and has begun to provide pre- and post-sale call center services to the following countries and brands from Turkey:

- Austria - Elektrabregenz, Beko and Altus in 2008
- Germany - Grundig in 2009
- Germany - Beko in 2010

In addition to Austrian and German markets, Arçelik has carried out customer satisfaction surveys in the Danish market, testifying to the fact that the Company not only listens to the concerns of its domestic customers, but also to those who purchase Arçelik's products abroad.

Having assumed responsibility for the management of online sales and social media communication operations in 2011, Arçelik Call Center has continued to implement its strategy of being with its customers at all times.

In parallel with its corporate social responsibility policy, in 2011 Arçelik Call Center began implementing "home agent", a telecommuting project that is the most striking call center project of the year. By implementing this project, Arçelik has offered employment opportunities not only to many young people with disabilities, but also to those employees who need to telecommute.

In 2011, Consumer Services under the Consumer Services Directorate provided support at nearly 550 authorized service locations. These locations operate under 10 regional management operations spread across the country with 5,300 vehicles and 11,500 employees, 5,400 of whom are technicians. The technical staff is certified by the Technical Services and Training Division, which operates under the Consumer Services Directorate.

Authorized services provides 10 million services annually for Arçelik A.Ş. all brands. The ability to handle both the delivery and installation of a product with a single service call is one of the competitive advantages that the technical service organization enjoys.

3.5. Ethical Rules and Corporate Social Responsibility

Arçelik A.Ş. aims to ensure customer satisfaction, offer world-class products and services of universal quality by using limited natural resources efficiently, and contribute to economic and social development. Accordingly, the company strives to be a global symbol of credibility, continuity and respectability in the eyes of all of its customers, shareholders, employees, suppliers, dealers and authorized services; in other words, all of its stakeholders.

We accept the standards established by Vehbi Koç, the founder of Koç Group, as our guiding principles:

- Our Customers are the focus of everything we do,
- To be "the best" is our ultimate goal,
- Our most important capital is our human resourcess,
- Our goal is to create wealth for continuous development,
- We strive to strengthen Turkish economy from which we derive our own strength, and
- Honesty, integrity, and superior business ethics are the foundations of our business conduct.

Arçelik has based its Ethical Rules of Conduct on the abovementioned principles in order to provide its employees and others who represent the company with a guiding document that would help them when making decisions.

Arçelik A.Ş. expects all its employees to behave in ways that would contribute to the strengthening and development of the company's philosophy and corporate standing. All Arçelik employees, including temporary workers, are under obligation to follow the company's Code of Conduct.

In addition, Arçelik A.Ş. expects all of its stakeholders to comply with work ethics and all related policies. Arçelik's Code of Conduct includes the following sections:

- Company-Employee Relations
- External Relations
  - Stakeholders, shareholders, government, customers, suppliers, dealers, authorized sellers, authorized services
  - Competitors and Competitor Relations
  - Corporate Social Responsibility
  - Global Responsibility
- Employee Code of Conduct
- Occupational Health and Safety Approach
- Code of Conduct Application Principles
  - Obligation to Report Transgressions
  - Code of Conduct Committee
  - Disciplinary Practices

Persons who hold managerial responsibilities are under obligation to inform all employees of the Code of Conduct, ensure that they are being followed, make a sufficient effort and display leadership.

Arçelik A.Ş. considers corporate social responsibility to be an integral part of the company's core business functions and carries out its activities according to the principle of "sustainable growth."

Providing its customers with quality and innovative products and services, following the general principles of ethics, laws and human rights, displaying sensitivity to the environment and needs of society at every location in which it operates, together with the company's commitment to "sustainable development" constitute the main components of Arçelik's "Corporate Social Responsibility" philosophy.

Arçelik A.Ş. which performs its operations in full compliance with applicable laws, ethical standards and human rights, is one of the first companies to sign the Code of Conduct drafted by the European Committee of Domestic Equipment Manufacturers (CECED)*. The CECED Code of Conduct obliges the subscribing company to achieve a sustainable performance concerning working conditions, environmental laws and standards which are regulated by international conventions.

Arçelik's production facilities have been audited in 2010 and 2011 based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange), which are used commonly across the European Union, by an independent auditing firm and have received positive compliance reports. This audit program will continue in 2012.

Arçelik A.Ş. has adopted an approach which focuses on protecting and preserving the environment and natural resources in cooperation with its partners both during production and non-production activities while at the same time developing and manufacturing innovative products. The company monitors the compliance of its operations with all domestic and international legal obligations, which call for the protection of the environment and human health. Arçelik A.Ş. regularly organizes training programs for its employees to raise awareness about the environment and implements projects with government organizations and NGOs.

In accordance with its sustainability approach, Arçelik A.Ş. develops and implements projects to contribute to the nurturing of younger generations in countries where the company operates. The sustainability of these projects is maintained through the ardent support of both the company's employees and business partners, who exemplify corporate citizenship. Accordingly, Arçelik develops programs and implements numerous projects to contribute to the education of young people in different regions in which it operates. Beside projects in education, culture and the arts, the Company also supports sports events that contribute to social development.

The policies and projects implemented by the Company are explained in the section of the Annual Report titled "Corporate Social Responsibility."

As an extension of its sustainable development approach, Arçelik A.Ş. also publishes an annual "Sustainability Report" complementing its operations in economic, social and environmental areas.

Arçelik A.Ş. 2008-2009 Sustainability Report is the first of its kind in Turkey and in its industry to comply with GRI (Global Reporting Initiative) G3 principles. The Company raises the bar every year with the quality of its sustainability reports. Arçelik A.Ş. also became the first Turkish company in its industry to be certified with a level B+ by GRI with its 2010 Sustainability Report, which was prepared in compliance with GRI G3 principles and audited by an independent audit firm.

Arçelik A.Ş. shares its Annual Reports and Sustainability Reports with the public on the Company's website: www.arcelikas.com.tr

* *CECED was founded in 1959 and represents the household appliance industry in Europe. CECED acts as a partner in dialogue with the EU's regulatory institutions and implements projects among its members. Arçelik A.Ş. has been a member of CECED since 2002.*

4.1. Functions of the Board of Directors

Arçelik A.Ş. Board of Directors ensures that the balance between risks, growth and revenue is kept at its optimum level by means of the strategic decisions it makes, and manages and represents the Company by protecting the long-term interests of Arçelik A.Ş., assuming a rational and prudent risk management approach.

The Board of Directors sets the strategic targets of the Company and oversees management's performance by determining the human resources and financial resources that would be required by the Company.

Arçelik A.Ş. mission and vision are provided below, along with the main business goals:

Arçelik A.Ş. mission is to develop, manufacture and offer products and provide after-sales services that meet customers' needs by going beyond their expectations, make life easier, affordable and user-friendly, make efficient use of resources, grow in target markets continuously by using resources efficiently, ensuring customer and employee satisfaction and winning long-term loyalty, and meeting the expectations of the company's stakeholders in accordance with the values, goals and strategies of the Koç Group.

Arçelik A.Ş. has adopted the vision of "Respects the Globe, Respected Globally". The Company "Respects the Globe" because Arçelik A.Ş. is a green company that respects human beings and carries responsibility. The Company is "Respected Globally" because Arçelik A.Ş. always aims the highest reaching beyond.

The Company's main business goals are as follows:

- To achieve sustainable growth and increase market share in the global white goods industry
- To maintain a continued profitability level which will enable sustainable growth
- To improve capabilities to offer pioneering, innovative and green products and solutions to add value for customers
- To improve global organization and competencies by managing differences

The Board of Directors evaluates and approves the Company's vision and main business goals. These goals are shared with the public in the annual reports, on the company's website and through meetings or statements by means of various communications channels.

The Company targets are evaluated in comparison with the results achieved including the previous year's. This is done during the periodic Board of Directors meetings, which are called for by the company's Articles of Association. The current status of the Company is examined and new goals and strategies are created, if required by existing conditions.

The Board of Directors carries out the Company's operations in compliance with applicable laws, the Articles of Association, and internal regulations and policies.

4.2. Principles of Activity of the Board of Directors

Arçelik A.Ş. Board of Directors conducts its activities in a fair, transparent, accountable and reliable manner. The Board of Directors elects a Chairman and Vice Chairman from among its members. In addition, the Board of Directors also carries out elections to select the chairmen and members who will sit on Board of Directors Committees. The General Manager also sits on the Board of Directors as an executive member.

The Board of Directors establishes an internal control and risk management mechanisms that are appropriate for the Company to be able to minimize adverse effects of the Company's risks, which would also negatively affect the shareholders and stakeholders with the opinions of relevant committees in establishing these mechanisms.

The Risk Management Committee, whose members were elected from among the members of the Board of Directors, held eight meetings in 2011. Information is provided about the existence, functioning and effectiveness of the internal control and audit in the annual report. The activities of the Risk Management Committee are summarized as follows:

The Risk Management Committee has been established in order to provide recommendations and make proposals to the Board of Directors concerning subjects such as the identification of strategic, financial, operational etc. risks, the estimation of their impact and probability of their occurrence, the management and reporting of these risks in accordance with the Company's corporate risk-taking profile, their consideration in decision-making mechanisms and the establishment and integration of effective internal control systems.

The Risk Management Department has been established under the Finance Directorate to monitor, report and manage risks across the Company. Financial, loan and elementary risks, are worked actively.

Financial Risks: Arçelik A.Ş. monitors risks associated with exchange rates, interest rates and liquidity on a consolidated basis and issues reports on these risks at regular intervals. The Treasury Department is responsible for managing financial risks reported by the Risk Management Department within the framework of the risk criteria.

Loan Risks: Arçelik A.Ş. carries out studies for the collateralization and reporting of international commercial receivables on a consolidated basis. Accordingly, the Company purchases receivable insurance policies and makes frequent use of guarantee instruments such as bank guarantees, factoring and Eximbank guarantees for this purpose. The Sales Accounting Directorate is responsible for the collateralization of domestic receivables. Arçelik A.Ş. demands guarantee instruments such as mortgages, bank letters of guarantee, customer's bills, stocks, foreign currency etc. from its authorized dealers in return for the goods delivered.

Factors affecting risks are processed online in the system. For instance, transactions such as dispatch orders or collections are reflected on accounts immediately, which changes level of risk.

Elementary Risks: Processes are managed such as determining and purchasing fixed assets, product and manager responsibilities, transportation, product recall, consolidated insurance policies and managing processes as they are related to claims.

Moreover, Arçelik A.Ş. established an Internal Audit Department, which reports to the Assistant General Manager of Finance and Accounting, in order to establish a healthy internal control mechanism. The Audit Committee monitors the processes and effectiveness of the system on a continual basis and reports issues and suggests solutions for risk management and internal control mechanisms to the Board of Directors.

At Arçelik A.Ş., different individuals fill the Chairman of the Board of Directors and General Manager positions.

Powers and responsibilities of the Members of the Board of Directors are clearly defined in the Articles of Association. Powers of the Members of the Board of Directors are provided in detail in the signature circular of the Company. According to the applicable law, these documents are held in authorized institutions and also posted on the Company's website.

The Board of Directors plays a pioneering role in preventing and solving any possible conflicts and disputes that may arise between the Company and its shareholders and is therefore in close cooperation with the Corporate Governance Committee and Shareholder Relations Unit.

4.3. Structure of the Board of Directors

According to the Articles of Association, Arçelik A.Ş. is managed by a Board of Directors, which consists of a minimum of three members who are elected from among shareholders in accordance with the provisions of the Turkish Commercial Code and by resolution of the General Shareholders' Meeting. The General Manager of the Company can be elected as a member of the Board of Directors. The Board of Directors consisted of 11 members in 2011.

The Company's Board of Directors did not have any independent members in 2011. During the General Shareholders' Meeting to be held in 2012, Arçelik will make the necessary amendments in accordance with the provisions contained in Article 4.3 of CMB's Corporate Governance Principles for the Structure of the Board of Directors in order to allow independent members to be able to sit on the Board of Directors. Since a Nomination Committee does not exist, independent member candidates shall be determined by the Corporate Governance Committee and submitted for the approval of the Board of Directors. The Board of Directors shall then submit its independent member candidate list to the Capital Markets Board for inspection.

With the amendment of the Articles of Association at the Ordinary General Shareholders' Meeting to be held in 2012, the Board of Directors shall never have less than five members.

The members of the Board of Directors is determined in such a way to function efficiently and in a constructive manner, make quick and rational decisions and organize the activities of the committees effectively.

The Board of Directors includes both executive and non-executive members. The non-executive members of the Board of Directors do not occupy any other position at Arçelik A.Ş. and do not involve themselves in the daily operations and ordinary activities carried out at the company. Non-executive members are in the majority on Arçelik's Board of Directors. Mr. Levent Çakıroğlu is the only executive member to sit on the Board of Directors.

The Chairman and Vice Chairman of the Board of Directors are chosen following an election of the Board of Directors at the General Shareholders' Meeting.

The Chairman and members of the Board of Directors obtain the consent of the company's shareholders during the General Shareholders' Meeting in order to carry out company activities on their own or on behalf of others and to own shares in competing businesses, in compliance with the Article 334 and Article 335 of the Turkish Commercial Code.

In 2011, all members of the Board of Directors were elected as representatives of certain shareholders. All members of the Board of Directors are persons who have many years' experience in various industries and in the areas of business in which the company is involved. Arçelik A.Ş. benefits greatly from the knowledge and experience of the members of the Board of Directors.

The members of the Board of Directors are free to voice their opinions freely without any pressure.

Arçelik A.Ş. Articles of Association contain the following provision concerning the quality of members of the Board of Directors:

"The persons who are nominated and elected as members of the Board of Directors will have information and experience about the Company's field of activity and management, analyze financial statements and reports, have basic knowledge about the legal procedures that the Company follows and preferably be university graduate."

Ms. Semahat S. Arsel sits as a female member of Arçelik A.Ş. Board of Directors in compliance with Corporate Governance Principles.

Members of the Board of Directors		
Rahmi M. Koç	Chairman	Non-executive
Mustafa V. Koç	Vice Chairman	Non-executive
Dr. Bülent Bulgurlu	Member	Non-executive
O. Turgay Durak	Member	Non-executive
Robert Sonman	Member	Non-executive
Semahat S. Arsel	Member	Non-executive
Temel K. Atay	Member	Non-executive
Ömer M. Koç	Member	Non-executive
Ali Y. Koç	Member	Non-executive
A. Gündüz Özdemir	Member	Non-executive
Levent Çakıroğlu	Member	President of the Durable Goods Group - General Manager

4.4. Types of Board of Directors Meetings

According to the Articles of Association, the Board of Directors convenes when business requires. However, the Board of Directors must convene at least four times a year. They also must convene in the event that the Chairman or two of the members request to do so.

Differing or dissenting opinions aired during Board of Directors meetings are recorded in the minutes of the meeting with their justifications. Dissenting opinions and their detailed justifications are disclosed to the public. Each member of the Board of Directors has one vote. However, Arçelik A.Ş. did not issue any material event disclosure since no differing or dissenting opinions were recorded during any meetings of the Board of Directors held in 2011. Agendas of Board of Directors meetings are determined by reporting of issues, which the Articles of Association explicitly instruct that they should be decided upon by a resolution of the Board of Directors, by concerned business units to the Company's top management and members of Board of Directors. Otherwise, an agenda can also be determined when a member of the Board of Directors notifies the Company's top management of the need for a resolution on a crucial issue. The issues requested to be placed on the agenda of the Board of Directors meetings are compiled and brought to the office of the Assistant General Manager of Finance and Accounting, where they are consolidated onto the agenda.

The Assistant General Manager of Finance and Accounting has been appointed to determine the agenda for the Board of Directors meetings in accordance with Article 330/II of the Turkish Commercial Code, and has been tasked to prepare the resolutions of the Board of Directors, keep its members up to date and ensure the flow of communication.

Board of Directors meetings are held at the Company's head office or at a convenient location in the city of head office. Important resolutions made by the Board of Directors are disclosed to the public through the PDP and on the company's website, both in Turkish and English. Amendments to the Articles of Association in accordance with the procedures concerning the related parties and issuance collateral, pledge and mortgage in favor of third parties mentioned in Article 4.4.7. of CMB's Corporate Governance Principles shall be submitted to the shareholders for their approval during the Ordinary General Shareholders' Meeting, which will be held during the first half of 2012. Arçelik A.Ş. has affiliates and subsidiaries. Believing that the participation of members of the Board of Directors in the management of these companies would serve the interests of the Company, Arçelik A.Ş. has not limited participation of the members of the Company's Board of Directors in the managements of these companies.

4.5. Committees Established under the Board of Directors

According to the Articles of Association, the Board of Directors may establish advisory or coordination committees and sub-committees of a similar nature among its members and/or non-members.

The Audit Committee in charge of ensuring reliable fulfillment of duties and responsibility of the Board of Directors has been established. The Board of Directors elected Temel K. Atay and Robert Sonman to the Audit Committee for 2011; consequently, the Audit Committee consists of two members of the Board of Directors who do not hold any executive positions. The Audit Committee performs its activities in compliance with the Capital Markets Law and CMB's Corporate Governance Principles. Members of the Audit Committee are not independent members.

On March 22, 2010, the Board of Directors formally decided that an in-house Corporate Governance Committee would be established in accordance with the Corporate Governance Principles issued by the Capital Markets Board, which would observe the company's compliance, carry out improvement efforts and suggest policy positions to the Board of Directors. Dr. Bülent Bulgurlu, O. Turgay Durak and Fatih K. Ebiçlioğlu have been appointed as members of the Corporate Governance Committee. Whereas Fatih K. Ebiçlioğlu is an executive member, the other two are non-executives. The committee does not have any independent members. Since Arçelik A.Ş. has not established a Nomination or Compensation Committee, the Corporate Governance Committee has assumed such responsibilities.

On July 16, 2010, the Board of Directors resolved that a Risk Management Committee would be established in order to give advice and recommendations to the Board of Directors on subjects such as determination, evaluation, effects and the probabilities of all kinds of strategic, financial, operational, etc. risks that may affect the company, managing and reporting such risks in accordance with the company's corporate risk-taking profile, considering these risks in decision-making mechanisms, and creation and integration of effective internal control systems. The Board of Directors also resolved that the committee be composed of four members: Rahmi M. Koç was selected as the president and Semahat S. Arsel, Dr. Bülent Bulgurlu and Temel K. Atay as members. The members of this committee are non-executive members; the committee does not have any independent members.

On July 16, 2010, the Board of Directors resolved that an Investment and Business Development Committee would be established in order to generate ideas and strategies, coordinate the activities of concerned departments, and make proposals and recommendations to the Board of Directors accordingly with the purpose of devising and planning new projects and investments across different areas of critical importance and monitor the implementation of the agreed-upon strategies and projects. The Board of Directors also decided that the committee would be composed of five members: Mustafa V. Koç was selected as the president and Ömer M. Koç, Ali Y. Koç, O. Turgay Durak and Levent Çakıroğlu as members. Only Levent Çakıroğlu is an executive member of the committee; the committee does not have any independent members.

The members of said committees, which shall be established following the Ordinary General Shareholders' Meeting to be held during the first half of 2012, shall be elected in accordance with mandatory principles mentioned in the Article 4.5. of CMB's new Corporate Governance Principles.

4.6. Remuneration of the Members of the Board of Directors and Top Managers

According to Arçelik A.Ş. Articles of Association, decisions about the remuneration of members of the Board of Directors are made during General Shareholders' Meetings. During the General Shareholders' Meeting held on March 23, 2011, it was decided that members of the Board of Directors would be paid a monthly salary. Accordingly, the Chairman and members of the Board of Directors shall be entitled to a gross monthly salary of 1,520 Turkish lira. Furthermore, executive members shall be compensated based on their performance. Arçelik A.Ş. does not lend any money or extend any credit to members of the Company's Board of Directors and top managers, with the exception of advance payments which are made in compliance with the company's internal procedures. Arçelik also does not provide any collateral in favor of these persons.

Prior to the Ordinary General Shareholders' Meeting to be held during the first half of 2012, the remuneration policy of these persons of the Company will be committed to paper and submitted for the information of the shareholders as a separate agenda item. Thus, shareholders will be given the opportunity to express their views and suggestions in relation to this subject. Accordingly, Arçelik will post its remuneration policy on the company's website.

The total remuneration of the Company's top managers is provided in the footnote on related parties inside the consolidated financial statements.

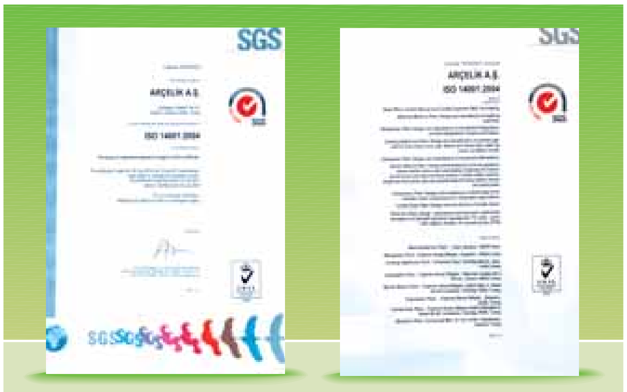
Arçelik A.Ş. will not use renumeration plans based on performance of the Company when remunerating independent members of the Board of Directors.

Arçelik A.Ş. acts in accordance with a principle of sustainability throughout the life cycles of its products and makes this principle an integral part of its main business activities. This is in parallel to its vision of "Respects the Globe, Respected Globally". Every Arçelik product completes its life cycle true to this principle.

Environmental Approach to Products and Production

Arçelik A.Ş. acts in accordance with the company's "more products with fewer resources" principle from the earliest stages of manufacturing. In parallel to its vision of "Respects the Globe, Respected Globally, "Arçelik A.Ş. aims to protect the environment and natural resources and make them sustainable by manufacturing more energy-efficient products.

Arçelik A.Ş. implements an Environmental Management System across all its processes and identifies annual improvement targets in accordance with its vision in order to minimize the environmental impact of its operations. The company gives priority to those efforts aimed at reducing operations-related emissions, preventing and recycling waste at its source. Arçelik A.Ş. improves its processes on a continuous basis through the investments it makes in environmental protection efforts.



Based on the principle of Total Quality Management (TQM) philosophy, Arçelik A.Ş. implements all related international product and management standards, mainly being ISO 9001 Quality Management System and ISO 14001 Environmental Management System Standards. Arçelik A.Ş. initially received BS 7750 Environmental Management Systems Standard in 1994 for its Dishwasher Plant just two years after it was introduced as the first Environmental Management System Standard of the world. Arçelik A.Ş. has started to apply ISO 14001 Standard of Environmental Management Systems since publication of BS 7750 Standard as ISO 14001 in 1996. Arçelik A.Ş. guarantees to control the environmental impacts, comply with all applicable legal and other requirements, sustainable development, and prevent environmental pollution by implementing ISO 14001 Standard.

The efficiency and continuity of management systems are assured by Internal System Audits carried out regularly as well as the inspections by independent organizations.

In 2010 after winning the first prize in "Management" category in the “European Business Awards for the Environment - Turkey Program,” takes place biennially, Arçelik proved once again the effectiveness of its environmental management activities and that it has made sustainability an essential part of the company's vision and all business processes. Also, Arçelik A.Ş. entitled as the finalist in the “European Business Awards for Environment - European Program in the Management” category and thus represented Turkey as the first non-EU country to have achieved this award.

Arçelik A.Ş. has also been monitoring its greenhouse gas emissions since 2006. The company obtained "reasonable assurance" after the auditing of its 2010 greenhouse gas emissions by an independent certification company. audit firm in 2011 within the framework of the ISO 14064-1 Quantification and Reporting of Greenhouse Gas Emissions and removals Standard.

The company's environmentally responsive approach, control of the environmental impacts of “product life cycle” and the technological superiority it has achieved are the outcome of its management systems. The environmental objectives and targets are defined, the environmental performance is followed to control environmental impacts, to decrease source usage in order to leave a clean and healthy environment for future generations.

Compliance with National and International Environmental Legislation

Arçelik A.Ş. continually controls compliance with all national and international environment legislations, directives and regulations for the entire product lifecycle. Compliance with legal regulations is monitored through SO 14001 Environmental Management System Standard.

Within this scope, Arçelik A.Ş. exactly complies with the following European directives:

- Directive on Waste Electrical and Electronic Equipment (WEEE),
- Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS);
- Directive on Ecodesign Requirements for Energy-Using Products (EuP),
- Regulation of the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

WEEE - Directive on Waste Electrical and Electronic Equipment

In February 2003, European Commission issued WEEE Directive 2002/96/EC regulating the disposal, recycling, recovery and reutilization of the products launched by electrical and electronic equipment manufacturers.

To comply with WEEE Directive in EU member countries, Arçelik A.Ş. fulfills its legal liabilities via the mechanisms of collection and recycling. Arçelik A.Ş. is the member of many collection systems that collect and dispose the goods at the end of their service life. Arçelik A.Ş. encourages compliance with the WEEE Directive in the non-EU markets.

The Ministry of Environment and Urban Planning continues to work for the publication of the Directive on Waste Electrical and Electronic Equipment in Turkey and Arçelik A.Ş. supports these efforts.

RoHS - Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment

Put into force for European Union countries, RoHS II Directive 2011/65/EU restricts the use of hazardous substances in electrical and electronic equipment.

Performing necessary tests within the company and at accredited laboratories, Arçelik A.Ş. has achieved full compliance even before the effective date of directive by establishing the Compliance Management System to ensure that the suppliers are in full compliance with this directive.

EuP - Directive on Ecodesign Requirements for Energy-Using (Related) Products

Energy-Using Products (EuP) Directive by European Commission aims to improve environmental performance of the products throughout their entire "product lifecycle" by systematically integrating environmental characteristics even from the initial stages of design. Arçelik A.Ş. manufactures its products in compliance with the EU Directive. Above mentioned directive became effective in Turkey as of September 23, 2011. Arçelik A.Ş. acted in close coordination with the Ministry of Science, Industry and Technology during the issuing of this directive in Turkey.

REACH - Regulation of the Registration, Evaluation, Authorization and Restriction of Chemicals

One of the most extensive legal regulations of EU and effective since 2007, REACH Regulation regarding the management of chemicals sets targets through all the stages of production and distribution chain from producers of raw materials to the retailers.

Arçelik A.Ş. adopts and supports REACH Regulation as one of the most important legal procedures to protect environment and human health as the Regulation aims to register and control all chemical substances used in the production; to monitor their chemical safety data by registering from the manufacturer to the industries as well as communicating the related data to the consumers.

At Arçelik A.Ş., REACH implementations are carried out by an expert team.

All required preparations are being coordinated by this unit; maintaining constant communication with the suppliers, this unit ensures to develop a perfectionist process in compliance with REACH Regulation. For detailed information about Arçelik A.Ş.'s operations concerning REACH, please contact reachinfo@arcelik.com.

In line with EU directives on electrical and electronic household appliances, Arçelik A.Ş. began manufacturing low energy consuming products long before these directives are adopted in Turkey.

To ensure the protection of environment and human health, Arçelik A.Ş. has formed manifold procedures basing on the legislations and environment policy and has been operating in full compliance with these procedures.

In line with EU directives on electrical and electronic household appliances, Arçelik A.Ş. began manufacturing low energy consuming products long before these directives are adopted in Turkey.

Arçelik A.Ş. was also the first Turkish household appliances company to produce refrigerators (in 1995) without ozone-depleting CFC gases much earlier than 2006, deadline set for Turkey in Montreal Protocol.

CFC12 ended	R134a started to use	R600a started to use	R134a and R600a continued to use	R134a and R600a continued to use
1995	1995	1997	2008	2011

Having adopted the principle of "an environmental approach throughout the entire lifecycle of the products it manufactures," Arçelik A.Ş., as it has done previously, will continue its activities in full compliance with legal regulations concerning the protection of the environment.

Arçelik A.Ş. makes its own contributions to the combat Climate Change. The company is a member of the Climate Platform in Turkey and will serve as spokesperson and leader of this organization for the next two years. Arçelik is a signatory to the "2°C Challenge Communique" which draws attention to efforts made to combat climate change. The company also participated in the World Climate Summit held in Durban, South Africa at the end of 2011 at the CEO level and shared information regarding its efforts to combat climate change with other participants during the summit's two sessions.

Arçelik A.Ş. is a green company that has achieved the highest level of energy efficiency with a large majority of its products.

GREEN PRODUCTS

Dishwasher

6 liter A++ Cactus

- The first and only A++-rated dishwasher that can wash 13 place settings using only 0.92 kWh, in compliance with the new energy-label regulation that became effective in Europe by the end of 2010
- "The most water-efficient dishwasher in the world," which can wash 13 place settings using only 6 liters of water,
- The waste heat that emanates from the heart of the dishwasher to the outside in the form of a large water pocket is used to heat the wash water stored inside the tank. This represents 5 percent energy efficiency.
- Energy-efficiency through the use of eco-friendly insulation material.

40",46", 55" LCD TV

- Uses 30 percent less energy compared to other TV models of the same screen size,
- Comes with an energy label,
- Is ErP-compliant,
- The first Turkish manufacturer to be granted 40" and 46" Grundig TV Eco Flowers.

GREEN PRODUCTS

New Black Orbital Combi Refrigerator

- A++ rated refrigerator that uses 60 percent less energy compared to other Class A No-Frost products of the same capacity,
- Uses environment-friendly refrigerant R600a,
- Latest technology VIP (Vacuum Insulation Panel) insulation provides four times more insulation than the existing polyurethane material,
- Equipped with the new COOLPLUS No-Frost technology, which allows for storing food for longer periods while preserving their freshness by reducing dehydration,
- The temperature of compartments can be adjusted separately thanks to its touch electronic control system.

Washing Machine

- Aquafusion, flow meter, a precision water level alarm sensor and brushless motor come together to create one of the “Most Energy-Efficient Products of the World” with 30 percent less energy consumption then the Class A +++ products with an 8 kg capacity.

Tumble Dryer

- "The Most Energy-Efficient Product of the World" with a BLAC motor and an optimized heat pump system. Uses 60 percent less energy than Class A products at 1.50 kWh with an 8 kg capacity,
- Comes with a heat pump, high water storage efficiency, 16 different programs and smart sensor technology,
  - Energy-efficiency achieved through an improved airflow channel and heat exchanger structure with the use of a rotary compressor,
  - A more efficient thermodynamic system through a smart fan algorithm and the ability to dry at different ambient temperatures.

Oven

- Uses 690 kWh and the first oven in the world that is 30 percent more energy-efficient compared to Class A products thanks to the Turbo Cooking feature; the Most Energy-Efficient Built-in Oven of the World,
- The Quietest Built-in Oven in the World with a 43 dBa noise level,
- Electronic control systems compatible with a standby feature,
- Dirt-resistant "Oleophobic Nano Coating" reduces the use of abrasive cleaning agents.

- Arçelik won three awards at the 11th edition of the "Energy Efficiency in the Industry Project Competition (SENVER)" organized by the Ministry of Energy and Natural Resources. Arçelik won awards in the "Energy Efficiency in the Industry (SEVAP 1)" category with its Dryer Plant; "Energy-efficient Industrial Facility (EVET)" category with its Eskişehir Refrigerator Plant and "Energy-efficient Product (EVÜ)" with its washing machine that provides 30 percent energy efficiency.
- Arçelik's seven R&D centers were granted "R&D Center Certification" within the framework of Law No. 5746 implemented by the Ministry of Industry and Commerce.
- Arctic S.A. was awarded the Award for Excellence in Consistent TPM Commitment by the Japan Institute of Plant Maintenance (JPIM), a Japanese government agency. Arctic S.A. thus became the first company in Romania to receive this award.
- Beko's Washing Machine DSN 6634 FX became test champion in the quality, environmental impact and user-friendliness categories in tests conducted by Stiftung Warentest (StiWa), Germany's most prestigious Testing and Research Institution, where 11 different washing machines were compared with each other.
- Three Beko refrigerators became one of the few brands to comply with the declaration stating that products must be labeled correctly during the ATLETE (Appliance Testing for Energy Label Evaluation) Project conducted by the CECED (the European Committee of Domestic Equipment Manufacturers) in cooperation with the European Commission.
- Grundig's Audiorama loudspeakers, which have kept the same design for the last 41 years, have been given the title of “design classic” by Schöner Wohnen, the largest home design magazine in both Germany and Europe.
- Beko won the "Get Connected 2011" award in the Refrigerators category with its 4-door refrigerator, and in the Cookers category with its Beko OIM22500XP built-in Pyrolytic oven at the 2011 Get Connected Awards organized by "Get Connected", a leading magazine published in the UK that focuses on customers and sales channels. Beko and Bloomberg also won the special prize in the "Best Commercial Positioning" category.
- Arçelik A.Ş. was awarded by the Turkish Social Security Institution to “being among the top 10 companies that paid the highest contribution to its employees’ social security payments” and “employing the highest number of disabled personnel based on the number of the premieums paid days”.
- In a survey titled "The Most Admired and Preferred Brands in Shopping Centers," conducted in collaboration with the Council of Shopping Centers (AYD) and GfK, Arçelik was named by consumers “The Most Admired and Preferred Brand in Shopping Centers” in the Retail Electronics category.
- Arçelik A.Ş. won the Special Jury Prize with its all-in-one TV at the 2011 Innovativeness and Creativeness Competition organized by TESİD.
- Arçelik's dishwasher plant won first prize at the ISO 2010 Awards for Sustainable Eco-Friendly Products and Practices in the "Large Scale Enterprise Sustainable Eco-Friendly Product" category with its Cactus Dishwasher, and Arçelik's washing machine plant won second prize with its Ekonomist series washing machines. Arçelik was a runner-up in the "Large Scale Enterprise Environmental Social Responsibility" category at the Standing United for Education Corporate Social Responsibility Program’s Environmental competition.
- Arçelik earned the Verification Certificate given by the British Standards Institution (BSI), an international independent verification organization, by calculating the company's greenhouse gas emissions in accordance with the requirements of the ISO 14064, which aims at measuring, quantifying and reducing greenhouse gas emissions.
- Arçelik's global brand Beko won at the "Contribution to Russia's Economic Development Awards" organized under the auspices of the Russian State Association of Regional Businessmen and the Federal Assembly of Russia (Duma) for the brand's commercial activities in Russia, the impressive economic results it achieved and its contribution to the Russian economy.


It's in our hands to save the trees
If everyone in Turkey would use energy efficient products, we would save 30 million trees in a year.
If you want to leave a greener world to your children, use energy saving products.
We are glad and proud to be the pioneer of energy efficiency in Turkey.
If energy efficient products are used in every house, approximately 6.9 million tons of CO_2 emission is prevented and the same benefit of plantation of 30 million trees is achieved every year thanks to the saved energy.
Koç
ECO FRIENDLY
arçelik

Supply Chain

Arçelik aims at creating maximum value by acting rapidly, effectively and in a sensitive manner to the environment in all stages of supply chain management, from the planning stage to the implementation and management stages. Arçelik also aims to allow its consumers all around the world to access to the company's products by implementing a sustainable operational structure.

Arçelik has adopted supply chain policies that will increase efficiency across all processes and support sustainable growth, while aiming to maximize the company's total value and customer satisfaction. The company strives to deliver products desired by customers in a timely and flexible manner and for as minimum a cost as possible to consumers by implementing integrated supply chain systems, from sourcing of materials and products to distribution.

Arçelik continuously develops both domestic and international projects in cooperation with its suppliers and service providers in order to deliver its products to its customers on time, as well as its materials and components to its production sites on time, and also participates in efforts aimed towards optimizing and rationalizing its systems.

Arçelik conducts periodic audits of its suppliers. Arçelik works only with those companies that can supply it with materials at the most favorable prices, at the right time and above all, at the expected quality.

Various projects conducted across the European Supply Chain Distribution Network, improvements in product delivery times, service levels and customer satisfaction have made important contributions to the company's competitiveness.

The "Dynamic Routing" practice, which was launched across the product distribution process in Turkey in 2010, was expanded in scope and effectiveness in 2011. The practice has helped the company reduce its delivery costs to authorized dealers, increase customer service levels by shortening its delivery times, reduce its carbon emissions by shortening average distances and optimize its workforce by improving the efficiency of its business processes.

Arçelik has launched a new practice in 2011: "Dealer Shared Warehouses." This new practice allows dealers to store products that they were previously storing in their own warehouses in the new warehouses equipped with modern storage facilities, in order them to provide their customers with fast and flexible services. The Dealer Shared Warehouses practice has allowed Arçelik to cut costs, make its business processes more efficient and prevent product damage risks.

In line with its environmental policy, Arçelik expanded the scope of its energy-efficiency projects at its product warehouses in 2011. The company has reduced its $C0_2$ emissions by 46 percent with the switch from LPG to electric vehicles used in warehouses and also has switched to energy-efficient lighting systems and increased usage of daylight in its warehouses.

Acting in accordance with its "Sustainable Development" principle, Arçelik prefers to deliver its products by eco-friendly sea and rail transport, where such options are available, across all of its supply chain activities. Accordingly, the company delivers nearly 70 percent of all its exports by sea transport.

As part of the projects carried out for the destinations where road transport is preferred due to geographical location the use of sea transport in the exports to Poland is increased by 50 percent.The company also switched from road transport to rail transport to a large extent in exporting to Germany and Austria and thus reduced its carbon emissions.

By increasing vehicle load rates, opting for load consolidations and routing vehicles carrying products that were picked up at suppliers directly to domestic warehouses, Arçelik has reduced the number of transport vehicles and shortened their routes, thus increasing efficiency.

Despite unfavorable conditions that the company cannot control, Arçelik has increased its On-Time and In-Full (OTIF) delivery rate, which is used for measuring customer service levels, to a level considered as "the best" in the industry in 2011.

Purchasing

In line with its "Respects the World, Respected the Globally" vision, Arçelik develops and implements projects aiming to reduce the impact of its products and operations on the environment. Arçelik systematically implements "Environmental Compliance Management" practices, which will ensure the compliance of utilized components with national and international legal requirements, with the participation of all departments and the coordination of the company's Energy and Environment Department. Arçelik obtains compliance reports and declarations from its suppliers that prove that the materials purchased from these suppliers do not contain any prohibited materials, or that these materials do not exceed certain limits. It also carries out analyses by using various equipment to ensure that these materials comply with the RoHS. Environmental compliance of purchased raw materials and other supplies is ensured through agreements signed with the suppliers. For the 53 substances included in the list of substances of very high concern (SVHC), the use of which are subject to authorization under the REACH Regulation, Arçelik signed agreements with more than 1,000 material suppliers and conducted SVHC surveys for nearly 80,000 materials in 2011. Arçelik ensures the environmental compliance of the materials it purchases and carries out other simultaneous efforts for the preservation of the environment and natural resources and the creation of energy-efficiency.

Among some of the environmental efforts made in 2011 are:

- The amount of plastic packaging material waste was reduced by 344 tons,
- Paper consumption was reduced by 127 tons through adjustments made to user manuals provided to the consumers with the products purchased,
- Instead of plastic and wood, Arçelik continued its efforts to expand the use of packaging materials made from 100 percent recycled paper. With this practice, Arçelik reduces its use of energy and natural resources,
- Chemical substance usage and the amount of waste were reduced across dye processing applications through robotic applications, which make waste dye recycling possible and reduce the amount of materials used,
- Disposable carton boxes were replaced by durable and recyclable plastic crates for packaging,
- The increasing use of eco-friendly products with the onset of nano-technological chemical products, and efforts to make the use of hybrid products produced by recycled materials, provide support to the company's environmental policies and practices.

Supplier portfolios and expert supplier collaborations, which are developed on a continual basis by the central purchasing team, helps Arçelik source the materials it needs for the manufacturing of innovative and eco-friendly product designs, which have allowed the company to win many national and international awards.

Consumer Services

Arçelik manages and monitors the entire process, from the moment a sale is made to the completion of product assembly. Arçelik minimizes the amount of harmful gases released into the environment by optimizing its vehicle usage through the vehicle tracking system. At the same time, the company's Authorized Technical Services and Consumer Services use low-emission vehicles. Arçelik replaces its vehicles older than five years and thus improves its vehicle emission rates on a continuous basis.

Arçelik A.Ş. not only creates value by increasing new employment opportunities and growth across the countries in which it operates, but also supports the development of social, cultural, environmental and sports activities.

Contributing to social projects in accordance with its sustainable development principle will continue to be one of the priorities of Arçelik A.Ş.

Arçelik A.Ş. Family and Volunteerism

The development and implementation of sustainable projects aiming to raise social standards and solve social problems in light of the company's corporate values and culture comprises one of the primary responsibilities of Arçelik.

Arçelik considers social volunteerism as one of its core values. Arçelik also considers contributions to be made by volunteers who are members of its large corporate family and the sustainability of the projects through local ownership as an important success criterion.

Standing United for Education with Arçelik Program

With the Standing United for Education Program, which was launched in 2004 in cooperation with the Ministry of National Education, Arçelik aims to reach children of primary education age based on the awareness that contributions to individual educational development must begin during the earlier stages of an individual's life.

The program was continued in 2011 with the aim of improving the educational and developmental standards of the students, who are studying at Regional Primary Boarding Schools and come from financially disadvantaged families, and raising them as role models. To date, Arçelik has reached 200,000 students studying at 300 Regional Primary Boarding Schools spread across 60 provinces through this program.

Within the framework of the program, students who have graduated with distinction from Regional Primary Boarding Schools but do not have the necessary financial resources to pursue secondary education have been offered scholarships for their secondary education. Arçelik has provided teachers and school heads working at these Regional Primary Boarding Schools with a series of seminars and workshops to contribute to their personal and professional development. The Volunteer Family Council, which is comprised of Arçelik employees, authorized dealers and services, has organized many important events, ranging from "career days" to book/toy campaigns, school and plant visits to "environmental awareness competitions" in order to contribute to the students' personal development.

Students' Exhibition on "World Environment Day"

As part of the "Standing United for Education" social responsibility program, Arçelik has organized an essay, poetry and painting competition titled, "Let's Protect Our Environment and Natural Resources" in order to raise awareness of depleting natural resources and the importance of saving water and energy. Arçelik exhibited the work submitted to the competition on "World Environment Day" in Istanbul.

Support for National Blood Donation Campaign "For My Country"

Koç Holding carries out various social responsibility activities every year within the scope of the "For My Country" Project, which it has been implementing since 2006, in order to promote a responsible citizenship culture across the holding companies and to contribute to the fulfillment of society's needs and wants.

Within the scope of the project, Arçelik has implemented a "National Blood Donation Campaign" in cooperation with the Turkish Red Crescent in 2010 and 2011. Arçelik employees, authorized dealers and services actively participate in this project, which has been launched in order to raise awareness of the importance of donating blood in Turkey and to increase the number of citizens who donate blood voluntarily on a regular basis.

Within the scope of the campaign, by the end of 2011 a total of 6,637 units of blood were donated by Arçelik employees in good health. In addition, Arçelik and Beko authorized dealers and services located in the provinces actively participated in the campaign coordinated by Regional Sales Offices and ambassador dealers.

Arçelik A.Ş. Volunteer Family and Vocational High School Coaches

“Vocational Education: A Crucial Matter for the Nation” by Koç Holding is a social responsibility project supported by Arçelik's employees, authorized dealers and services. Arçelik has assumed responsibility for 26 schools within the framework of the project. Volunteers assume various tasks such as "Vocational High School Coaches" and prepare students for the challenges of their future professional lives by contributing to their personal development and serving as role models. A 24-stong team consisting of Arçelik employees, dealers and services offer coaching to students who study at these schools. A total of 1,283 students, 590 of whom continued their education, have been selected to receive scholarships since the launch of the project.

Arçelik A.Ş. Electrical Household Appliances Technical Training Program and Arçelik Laboratories

Arçelik continued its support for the Vocational Education: A Crucial Matter for the Nation project in 2011 and launched the Arçelik Electrical Household Appliances Technical Training Program - Arçelik Laboratories program in cooperation with the Ministry of National Education and General Directorate of Technical Training for Boys.

The program aims to train a workforce that can follow developments and new technologies in the Turkish household appliances industry and create new employment opportunities.

Accordingly, Arçelik has established new laboratories furnished with the latest measuring instruments and equipment. The curriculum to be pursued at these labs has been redesigned in cooperation with the Ministry of National Education. Within the scope of the program, a total of 25 teachers have been trained at the Arçelik Academy. Arçelik labs strive to train the students to be eligible for employment as technicians in the white goods and air-conditioner product groups. The students will be provided with internship opportunities at Arçelik-authorized services. Those students who want to work at Arçelik-authorized dealers or at Arçelik itself and who have completed certain stages of training successfully will be offered certificates and employment opportunities. With this program, Arçelik had created an industry-specific practice that contributes to the establishment and continuation of training-employment relationship.

By the start of the 2011-2012 academic year, Arçelik has established four labs across Turkey: Three in Kartal, Beykoz and Zeytinburnu and one in Diyarbakır. At these schools, 122 students have begun trainings attended by 21 teachers at the Electric-Electronic Technologies - Electrical Household Appliances Technical Service as part of the Arçelik Electrical Household Appliances Technical Training Program.

Arçelik Search & Rescue Teams Helping Earthquake Victims

In the aftermath of the devastating Van earthquake, Arçelik came to the rescue of earthquake victims through the Coordination Committee established by Koç Holding. Arçelik, which established contact with all of its dealers across Turkey and urged all of its employees to extend a helping hand to the region and participated in operations with its search & rescue team of 15 people, conducted in both Van and Erciş.

Arçelik also sent four trucks of emergency supplies to the earthquake zone. Arçelik and Beko trucks delivered read-to-operate washing machines and dryers with detergent, water tanks, blankets, electric heaters, infrared heaters and drinking water.

The first shipment of emergency aid supplies comprising electric generators and heaters was delivered to the earthquake zone. The emergency aid supplies sent by Arçelik were distributed to earthquake victims under the surveillance of local authorities. Furthermore, emergency aid materials collected through aid campaigns launched at Arçelik's head office and other production facilities were sent to the region in lots by lorries and trucks.

International Support Activities

Arçelik's production facilities, sales and marketing offices throughout the world not only create new employment opportunities in the countries and cities in which they are located, but also implement a wide range of social responsibility projects that will contribute to social development, ranging from education to healthcare to the environment and sports.

Beko - Russia

Beko LLC Russia made donations by participating in social and charity events. In March 2011, Beko LLC donated Beko washing machines and small household appliances to the Kitezh and Orion Orphanage located in Kaluga, a city 300 km from Moscow. Ninety orphans are living in this orphanage as a family.

Elektrabregenz - Austria

Elektrabregenz, a long-established Austrian brand, provides support to an organization titled Projuventüte, which looks after homeless and needy children, in line with its social responsibility approach during the 2011-2012 period. As part of the contributions made in 2011, Elektrabregenz not only donated various products to the orphanages renovated by Projuventüte, but also made contributions to the programs implemented by the organization in order to increase social awareness and generate support.

Defy - South Africa

Ethelbert Children's Home

Ethelbert Children's Home is a home and shelter for 65 children who have been removed from their families due to physical and/or sexual abuse, neglect, or abandonment and those orphaned because of HIV/AIDS. Ethelbert is not an orphanage and a majority of the children who have been entrusted to this home have parents. The ultimate goal of this center is to ensure that the children are united happily with their parents after they receive rehabilitation. Ethelbert Children’s Home consists of six cottages, each with two residing Child Care Workers and a maximum of twelve children.

Boys and girls are placed in separate cottages, with children under five finding a home in the toddler cottage. Ethelbert can care for a maximum of 65 children, though this number often differs due to the placement of children with rehabilitated parents or foster/adoptive parents. Besides donating white goods and electronic appliances in parallel with the necessities of the Ethelbert Children’s Home, Defy also made cash donations in 2011.

Eersterust Welfare Organization for the Aged

Eersterust Welfare Organization for the Aged (EWOA) has been dedicated to caring for the elderly in Eersterust, Pretoria since 1961. EWOA has expanded the scope of its activities to include the elderly with disabilities regardless of race, gender, religion or creed and cares for 40 people, 90 percent of who are elderly. Three of these 90 individuals are over 100 years of age. Its vision is to ensure that the elderly, disabled and homeless are supported, protected and live respectable lives. EWOA has recently renovated its facilities for which Defy has donated new ovens.

Arçelik A.Ş. Employees and Environmental Awareness "Kilimanjaro Expedition"

A 12-strong team of Arçelik employees has climbed the Kilimanjaro, Africa's highest mountain, in order to draw attention to one of the most pressing environmental issues of our age, global warning. From September 17 to September 25, 2011, the team, which consisted of Arçelik employees from Turkey, Russia, Germany, Romania and France, climbed the mountain, which has lost almost 85 percent of its glacial ice since 1912.

Leadership of the Climate Platform

Arçelik is a member and currently the rotational leader of the Climate Platform, which is dedicated to combating climate change and supports switching to a low carbon economy.

"Memorial Forests"

On April 15, 2011, Arçelik's Eskişehir Refrigerator and Compressor Plant employees planted 2,500 cedars and black pine saplings at the "Arçelik Employees Memorial Forest," which covers an area of 22,500 square meters and is located near Doğanca village. In addition, Istanbul Çayırova Washing Machine Plant employees planted 4,000 saplings on "World Environment Day."

Ecology from A to Z

As part of its corporate social responsibility approach, Arctic has created a section titled "The ABC of Ecology" on a website available at: www.arcticpentrutine.ro. Visitors are provided with practical information on matters related to ecology and the environment and are educated on the benefits of an eco-friendly lifestyle. The aim of this online project is to raise awareness among society on environmental protection and to change habits that go against protecting the environment.

Beko Basketball League - Turkey

Supporting Turkish basketball through sponsorships, the Beko brand continues to invest in this area without losing steam. Beko launched its sponsorship program in 2006 by lending its name to the Turkish Basketball League. This sponsorship, which still continues today, is the first step in associating the Beko brand with basketball through which the company aims to reach its long-term brand goals. Beko not only lent its name to the Turkish Basketball League, which has been renamed the Beko Turkish Basketball League after the launch of the sponsorship program, but also to the All-Star games, which has been renamed the Beko All-Star games.

Beko's investments in basketball, which have moved forward in parallel with the brand's "Global Brand" vision, have expanded beyond the borders of the country and have taken to the international stage. Beko became the main sponsors of the 2009 FIBA Asian Basketball Championships organized in China and the 2009 FIBA European Championships organized in Poland.

Beko also became the "Presenting Sponsor" (the biggest sponsor, who presents the championships to the entire world) of the 2010 FIBA World Basketball Championships organized in Turkey and the FIBA European Championships organized in Lithuania from August 31, 2011 through September 18, 2011. Within the scope of this sponsorship, Beko displayed its brand name inside the free throw circles on the basketball courts on which the games were hosted.

Beko Basketball Bundesliga - Germany

The German Basketball League, one of the leading basketball leagues in Europe, has been organized under the name of "Beko Basketball Bundesliga" from the start of the 2009-2010 season. Beko also sponsored sports events such as the Beko Basketball Bundesliga All Star Day, Beko BBL Top Four, Beko BBL Champions Cup and Beko Super Cup in 2011.

Beko Basketball League - Russia

The Russia Basketball League has been organized under the name of Beko Professional League since 2010. Beko organizes various BTL events at basketball courts during the in-season before the games start. Beko also sponsors street basketball championships called "Challenge Cup," organized in various regions across Russia during the summer months as an alternative to the professional basketball league. By organizing these events, Beko aims to popularize street basketball as a main sports branch and coordinate events in which Russian youngsters living in different regions of the country engage during their spare time. These events were organized in Volgograd, Kazan and St. Petersburg in 2011.

Beko Basketball - Lithuania

Beko also became the sponsor of the Lithuanian Basketball League in 2011. The Lithuanian Basketball League will be organized under the title of "Beko LKL League" during the 2011-2012 season.

BEKO LKL

Grundig "Bundesliga Official Technology Partner" - Germany

Grundig has become the "Official Technology Partner" of Bundesliga. The Grundig logo has been displayed permanently during all Bundesliga and Bundesliga 2 broadcasts during the 2011/2012 season. This will also continue throughout the 2012/2013 season. The Grundig logo is displayed during all Bundesliga and Bundesliga 2 games, including the opening, return and relegation games, which are broadcast live.

BUNDESLIGA GRUNDIG OFFIZIELLER TECHNOLOGIE-PARTNER

Aiming to support own employees with modern and strategic human resources practices and establish a creative corporate culture, Arçelik is aware of the fact that the quality of products and services depends on the quality of human resources.

Arçelik manages its global organization very effectively and supports it with innovative practices. For the systems and tools of human resources to reach the same advanced level in all the locations, each process is handled individually and prioritized to perform necessary actions within the framework of operational plans.

Drawing strength from the geographical spread of its operations and diversity of its culture, Arçelik sets more ambitious targets ever year and strengthens its global competitiveness. The company implements the following human resources approaches to contribute to the development of employees:

- Integrated Human Resources systems and tools,
- Fostering creative and innovative work environments,
- Talent management and career planning,
- Continuous development of employees.

Integrated Human Resources Systems and Tools

Arçelik maintains sustainability and growth in the company and improves human resources through efficient management by using several standard assessment methods such as performance management, competency assessment, potential assessment and leadership assessment. The assessment provides input for development and talent management, career management and salary management and facilitate the integration between corporate and employee development.

Fostering Creative and Innovative Work Environments

Arçelik, identifies with innovation and gives priority to creativity in all of the activities, updates itself on a continuous basis by developing new strategies and business models. The synergy in a cross-cultural work environment and a matrix organizational structure offer greater opportunities for various groups to come together and generate projects, allowing creative ideas to emerge and flourish.

Arçelik has established an Innovation Management Department in order to bring out in-house consumer insights, create communication and solution ideas based on these insights, maintain and assess ideas created through these processes, and develop and manage idea management methods. The Innovation and System Development Department continues its activities geared towards the development of ideas in production systems, improvement of innovation processes and monitoring of their effectiveness in coordination with the Marketing Department.

- R&D Directorate has been receiving creative and innovative ideas from the company's employees through a suggestion submission system called "Inter" since 2010, assessing these suggestions through a board of assessment and creating opportunities for those ideas that can be turned into new products.
- Arçelik organizes an "Innovation Award Ceremony" every year on "World Patent Day" in order to encourage its employees to be more creative, reward creators of innovative ideas and promote them across the company. In addition, Arçelik encourages its employees to generate creative and innovative ideas and rewards the creators through a reward system called "Pyramid Climbers Awards"

Applying innovative approaches distinguishes products and services offered to customers in a competitive environment. With an R&D team of over 900 employees, Arçelik continues to develop and manufacture green products that are technologically innovative, which in turn improve the living standards of its customers.

Talent Management and Career Planning

Arçelik aims to improve its competencies by employing the most qualified young people and experienced professionals. The company believes that personal success is a prerequisite for organizational success. Accordingly, Arçelik deploys various professional development systems in order to improve the performance and competencies of its employees in accordance with the company's targets.

Arçelik plans the careers of its employees based on their experience, competencies and skills. The company identifies critical positions and potential employees who will take the company into the future during annual human resources planning meetings. Meanwhile, Arçelik supports the development of its potential employees by monitoring their performance and preparing them for potential employment opportunities that may arise in the future. In 2011, 15 percent of Arçelik employees were subjected to rotation, appointment and/or promotion.

Arçelik believes that the company and employees share responsibility for personal development and career management. Accordingly, Arçelik uses an "Internal Job Posting" to inform its employees about vacancies and encourages them to take initiative concerning their career development plans.

Development Management

Arçelik prepares development plans in order to increase the performance and potential of its employees. Arçelik's approach to training and development is to improve performance through continuous development principles in parallel with the company's vision and business targets. Arçelik has established a new department related Human Resources Organisation that will carry out activities to improve the capabilities of the company's employees in accordance with Arçelik's vision.

Arçelik prepares orientation, sales, marketing, leadership, management, foreign language courses, technical training and personal development activities by taking into account the needs of the company and its employees. Arçelik carries out leadership capability assessments and provide its employees with the opportunity to participate in international leadership development programs in order to take role in in the global organization of the company as effective leaders.

Leader and Work: This is a program that strives to prepare and support employees with management skills for future management positions.

Management Skills/Development Program: This is a program to newly appointed managers to adapt to their new roles quickly and support their development by on the job learning methods and coaching sessions.

Leader and Strategy/Leader and Individuals: This is a program intends to train employees with management skills for future senior management positions.

Leader and Effective Teams: This is a program that aims to prepare and support employees with management skills for future management positions.

Overseas Leadership Program: This is a program that aims to improve the management skills of managers who working in overseas organisations.

International Management Development Program: This is a program strives to support the development of employees have the potential for overseas assignments and prepares them for possible future roles. Training programs call as Global Manager and Global Executive programs are prepared, implemented comenly jointly with Koç University.

Functional Development Programs: These are development programs prepared for different functions/processes such as finance, marketing, human resources, information technologies, financial affairs, etc.

Mentoring Program: This is a program that brings together those employees who have the potential to fill senior management positions in the future and current senior managers, thus allowing them to share their experiences and help cultivate a coaching culture.

In addition to these development management programs, next year Arçelik plans to launch a new program titled "Marketing Academy Program," which will help train both marketing and non-marketing employees of the company. Furthermore, Arçelik organizes various seminars for employees to help familiarize them with cultures of countries that are potential markets for being a global company.

Applying the principles of Total Quality Management (TQM) across all its processes, Arçelik continues to grow in target markets by working with team spirit in order to achieve corporate and departmental targets.

Business Excellence

The Arçelik Management System is a combination of the company's workforce and workflows, which have been organized in such a way to help Arçelik realize its vision. The following systems, which have been used by Arçelik in order to improve the effectiveness of its Management System, are considered to be parts of the company's business processes:

- EFQM (European Foundation for Quality Management) Excellence Model
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 14064-1 Greenhouse Gases Reporting System
- ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories
- Six Sigma (Process Improvement)
- Total Productive Maintenance (TPM)
- BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange) Social Responsibility Systems

Arçelik's quality assurance efforts, which began with Quality Circle practices in the early 1980s, were brought under the umbrella of Total Quality Management in the early 1990s. Arçelik, holder of the EFQM Quality Prize for Quality Success and TUSIAD - KalDer Quality Award (Turkish Society for Quality) Quality Grand Awards, has adopted the Total Quality Management philosophy in all of its business processes.

The ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System (Electronics Plant), ISO 14064-1 Greenhouse Gases Reporting System, ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories (Central Calibration and Washing Machine EMC Laboratories) have all been accredited by professional accreditation organizations since 1991. Arçelik's compliance with these standards are assessed and improved through periodic internal and independent audits.

Arçelik uses the Six Sigma Methodology in order to reach excellence by increasing productivity across all of its business processes to stay competitive in international markets. By implementing the Six Sigma methodology, Arçelik aims to:

- Improve processes
- Make the processes transparent and manageable
- Create decision making mechanism based on data
- Develop a platform to continuous growth in profitability
- Harmonize its organizational targets and process objectives
- Focus on customer and develop a common language
- Improve creativity

Since 1996 Arçelik has been implementing the "Total Productive Maintenance" (TPM) system, which is based on teamwork at all levels, units and functions from senior management to the lower ranks across all its production facilities. By using the TPM, Arçelik aims at making effective use of its resources by eliminating all factors that have a direct or indirect negative impact on efficiency.

Arçelik's production facilities have been audited based on the criteria of BSCI (Business Social Compliance Initiative) and Sedex (Suppliers Ethical Data Exchange), which are used commonly across the European Union, by an independent auditing firm and has received positive compliance reports. The audit program is continuously maintained.

System Standard Compliance Certificates

TS EN ISO 9001:2008, TSE
TS EN ISO 14001:2004, SGS
TS EN ISO/IEC 17025:2010, TÜRKAK (Turkish Accreditation Agency)
TS ISO 14064-1:2007, BSI

Product Standard Compliance Certificates:

TSE - Turkey
CE, HAR, UPC (TV) - EU
UL, ETL - USA
TÜV, VDE, GS - Germany
IRAM - Argentina
AGA, AS, CBA, Energy Safe Victoria - Australia
ÖVGW, OVE - Austria
CEBEC - Belgium
EZU - Czech Republic
CCC - China
DEMKO, Stofa (TV), YouSee (TV) - Denmark
Levira (TV) - Estonia
FIMKO - Finland
AFNOR, LCIE - France
SABS - South Africa
KETI - South Korea
ZIK - Croatia
ISI - India
KEMA, Digitenne (TV), Ziggo (TV) - Holland
ITS, BEAB, INTERTEK, BSI, ASTA, Digital-Tick (TV) – UK
NSAI - Ireland
AENOR, TDT (TV) - Spain
SII - Israel
SEMKO, Boxer (TV), ComHem (TV), Canal Digital (TV) - Sweden
SEV - Switzerland
IMQ, DGTVi (TV) - Italy
CSA, cUL - Canada
KUVEYT STD. - Kuwait
SNCH - Luxemburg
MEEI - Hungary
NEMKO, Riks (TV), Canal Digital (TV) - Norway
POLONYA STD. - Poland
CERTIF - Portugal
ISCIR, ICPE - Romania
GOST R - Russia
Kvalitet - Serbia
PSB-Singapore
SIQ - Slovenia
SASO - Saudi Arabia
UkrSEPRO - Ukraine
NZS - New Zealand
ELOT - Greece
HDMI, Dolby, SRS, DVD Forum, DivX HD, CI+, DLNA, Wi-Fi, YouTube/Adobe, USB TV - All Regions

Rahmi M. Koç

Chairman

Rahmi M. Koç graduated from John Hopkins University with a B.S. degree in Business Administration. He began his business career at Otokoç, a Koç Holding company, in 1958. Koç served in various senior management positions at Koç Holding. He became the Chairman of the Executive Committee in 1980 and was appointed the Chairman of the Board of Directors of Koç Holding in 1984, a position he held until 2003 when he began to serve as the Honorary Chairman. He served as the Chairman of the International Chamber of Commerce between 1995 and 1996. In addition to his role as the Honorary Chairman of Koç Holding, Koç also serves as Vice Chairman of the Board of Trustees of the Vehbi Koç Foundation, Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of the Rahmi M. Koç Museum and Cultural Foundation, Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital, Honorary Chairman and Founder of TURMEPA (Turkish Marine Environment Protection Association), Honorary President of the High Advisory Council of the Turkish Industrialists' and Businessmen's Association (TUSIAD), Member of the Advisory Council of the Turkish Confederation of Employers' Associations (TISK), Honorary Member of the Foreign Policy Association, Honorary Member of the Board of Trustees of New York's Metropolitan Museum of Art and Founding Member of the Global Relations Forum.

Mustafa V. Koç

Vice Chairman

After completing Lyceum Alpinum Zuoz in Switzerland, Mustafa V. Koç went on to earn his B.A. degree from George Washington University in the United States in 1984. Beginning his business career as a Consultant at Tofaş in 1984, he later served as Sales Manager and Assistant General Manager of Sales at Ram Dış Ticaret. In 1992, he moved to Koç Holding and served as Vice Chairman, Chairman, Member of the Board of Directors and Vice Chairman of the Board of Directors. Koç has been serving as the Chairman of the Board of Directors since 2003. The Honorary Chairman of the High Advisory Council of TUSIAD and a member of the Istanbul Chamber of Commerce and Foreign Economic Relations Board, Koç also serves as the Honorary Consul General of Finland in Istanbul. He is also on the Advisory Board of Kuwait International Bank and Rolls-Royce International Advisory Board. Koç is a member of the Young Presidents' Organization and JP Morgan International Council. Koç was awarded the Cavaliere d'Industria medal by the Government of Italy in 2005. Koç is also a member of the Board of Directors of the Vehbi Koç Foundation, a philanthropic organization founded by the Koç Family, the members of which are strongly committed to its work in the cultural, educational and medical fields in Turkey in order contribute to its social and cultural life, and which has been recognized internationally by, among others, the World Monuments Fund, the Carnegie Foundation, BNP Paribas and the Board of Trustees of the Educational Volunteers Foundation of Turkey (TEGV).

Dr. Bülent Bulgurlu

Member

After graduating from the faculty of Architectural Faculty at Ankara University, Bulgurlu earned his Ph.D. from Norwegian University of Science and Technology. He started his business career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. He joined Garanti Construction in 1977 as a Construction Engineer and worked as Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager and General Manager. He has worked at Koç Holding since 1996 as President of Tourism and Services Group, President of Tourism and Construction Group and President of Consumer Durables and Construction Group. He was Koç Holding CEO between May 2007 - April 2010. He is a Member of Koç Holding Board of Directors since May 2007. He is also a Member of Turkish Industrialists' and Businessmen's Association and TURMEPA (Turkish Marine and Environment Protection Association).

O. Turgay Durak

Member

O. Turgay Durak graduated from Mechanical Engineering at Northwestern University (US) in. After joining Ford Otomotiv, a Koç Holding company, as a Product Development Engineer in 1976, Durak was appointed Assistant General Manager in 1986, Deputy General Manager in 2000 and General Manager of Ford Otosan in 2002. He served as President of Koç Holding's Automotive Group from 2007 until 2009. Durak served as Deputy CEO of Koç Holding from May 2009 until he was appointed Koç Holding CEO and Member of the Board of Directors in April 2010. Durak also served as Chairman of the Board of Directors of the Automotive Manufacturers Association from 2004 until 2010.

Robert Sonman

Member

Robert Sonman earned his undergraduate and graduate degrees from McGill University (Canada) in architecture. He serves as Chairman and Vice Chairman of the Board of Directors at Burla Group Companies, a shareholder of Arçelik. He has been serving as a Member of Board of Directors of Arçelik A.Ş. since April 1994. He speaks English and French.

Semahat S. Arsel

Member

A graduate of the American College for Girls in Istanbul, Semahat S. Arsel studied German at Goethe Institute and is fluent in both English and German. She started her business career as a Member of Koç Holding's Board of Directors in 1964, a position she continues to hold. Arsel is also a Member of the Vehbi Koç Foundation's Board of Directors, Chairman of the Tourism Group Board of Directors, Chairman of Semahat Arsel Nursing Education and Research Center and Vice-President of the Florence Nightingale Foundation. She is also the Founder of Koç University's School of Nursing.

Temel K. Atay

Member

Atay graduated from Mechanical Engineering at Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined Koç Group in 1966 and later served as the General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO between 2000-2001. He has been a Member of the Board of Directors since 1996 and was named Vice Chairman in 1998.

Ömer M. Koç

Member

Ömer M. Koç earned his B.A. degree from Columbia College (U.S.) in 1985. He worked at Kofisa Trading for one year. He earned his MBA degree from Columbia Business School in 1989. After working at Ramerica International Inc., he joined Koç Holding in 1990 and has served in various senior management positions as Manager at Gazal A.Ş., Finance Coordinator at Koç Holding and Vice President and President of the Energy Group. A member of the Board of Directors since 2004, Koç has served as Vice - Chairman of the Board of Directors since May 2008. He also serves as President of the Turkish Educational Foundation (TEV), President of the Geyre Foundation, Chairman of the Board of Directors of Yapı Kredi Cultural Activities, Arts and Publishing and Chairman of the Board of Directors of Tüpraş.

Ali Y. Koç

Member

Ali Y. Koç graduated from Rice University with a degree in Business Administration and earned his MBA degree from Harvard Business School. He participated in the Management Trainee Program at the American Express Bank between 1990 and 1991 and worked as an Analyst at Morgan Stanley Investment Bank between 1992 and 1994. He held various senior management positions at Koç Holding, including New Business Development Coordinator and President of Information Technology Group between 1997 and 2006. Koç served as the President of Koç Holding's Corporate Communications and Information Technology Group from 2006 until 2010 and has been a member of the Koç Holding Board of Directors since January 30, 2008.

A. Gündüz Özdemir

Member

Gündüz Özdemir graduated from the Istanbul Academy of Economics and Commercial Sciences. He joined Beko Ticaret, a Koç Holding company, in 1972. Following his serving as Assistant General Manager and General Manager at the company, Özdemir became the Vice President of the Koç Holding Consumer Durables Group and Marketing and Sales Group Director at Arçelik Turkey in 2000. After becoming General Manager of Arçelik in 2003, he was appointed President of Koç Holding Consumer Durables Group in May 2007 while serving as General Manager at Arçelik. Özdemir served as President of Koç Holding Consumer Durables between August 2008 and April 2010 and has been a Member of the Board of Directors of Arçelik since April 2005.

Levent Çakıroğlu

Member

He graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration and received his MBA degree from University of Ilinois. He started his business career in the Ministry of Finance in 1988 as an Assistant Accounting Specialist. He served as a part-time Lecturer at Bilkent University and Vice Chairman of the Financial Crimes Investigation Board at the Ministry of Finance between 1997-1998. He joined Koç Holding as a Financial Affairs Coordinator in 1998 and served as Koçtaş General Manager from 2002 to 2007, and Migros General Manager from 2007 to 2008. He was appointed Arçelik General Manager in 2008. In addition to this appointment, he has been the President of Koç Holding Consumer Durables Group since April 2010.

Board of Auditors

İnanç Kiraz

Member

He graduated from the Istanbul University, Department of Economics and completed his MBA degree in business administration from Koç University. He started his business career at Koç Holding Audit and Finance Group as a Management Trainee in 1998, Kiraz served as an Auditing Expert from 2001 to 2005 and as the Auditing Group Manager from 2005 to 2008. He has been the Audit Coordinator at Koç Holding Audit Group since January 2009 and responsible for the Durable Goods Group and the Food & Retailing Group.

İbrahim Murat Çağlar

Member

İbrahim Murat Çağlar graduated from the Department of Economics at Bilkent University. He began his professional business career at PricewaterhouseCoopers in 1997 as Assistant Auditor and served as Team Head in 1999, Assistant Manager in 2001 and Manager in 2002. He joined Koç Holding as Auditing Group Assistant Manager in 2005 and has served as Auditing Group Coordinator since 2008. Çağlar is also a member of the Union of Chambers of Certified Public Accountants of Turkey (TURMOB), the Institute of Internal Auditors and the Association of Certificated Fraud Examiners.

Authorities and Limits of the Members of the Board of Directors and the Board of Auditors: The Board of Directors and the Board of Auditors were elected at the Ordinary General Shareholders Meeting by resolution on March, 23, 2011 for one year. Chairman and Members of the Board of Directors are entitled the authorizations specified in TCC and Articles 11-16 of the Articles of Association. Members of the Board of Auditors are entitled the authorizations defined in Article 25 of CMB's Communique Serial: X, Nr. 22.

Levent Çakıroğlu

Arçelik A.Ş. General Manager

He graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration and received his MBA. degree from University of Ilinois. He started his business career in the Ministry of Finance in 1988 as an Assistant Accounting Specialist. He served as a part-time Lecturer at Bilkent University and Vice Chairman of the Financial Crimes Investigation Board at the Ministry of Finance between 1997-1998. He joined Koç Holding as a Financial Affairs Coordinator in 1998 and served as Koçtaş General Manager from 2002 to 2007, and Migros General Manager from 2007 to 2008. He was appointed Arçelik General Manager in 2008. In addition to this appointment, he has been the President of Koç Holding Consumer Durables Group since April 2010.

C.emal Şeref Oğuzhan Öztürk

Assistant General Manager
Purchasing and Supply Chain

Cemal Şeref Oğuzhan Öztürk graduated from Aeronautical Engineering at Istanbul Technical University, and earned his Master's degree from the Faculty of Mechanical Engineering at the same university. He began his business career as a Research Assistant at the Material Sciences and Production Technology Application and Research Center at Istanbul Technical University in 1982. Öztürk joined Arçelik as a Quality Control Engineer at the Eskişehir Compressor Plant in 1987. After serving in various managerial positions across quality, manufacturing and product development processes at Arçelik's Compressor and Refrigerator Plants, he was appointed as Arçelik Refrigerator Products Director, S.C. Arctic S.A. General Manager, Arçelik Washing Machine Products Director,Grundig Elektronik A.Ş. General Manager and Arçelik Supply Chain Director. Öztürk has been serving as Assistant General Manager responsible for the Purchasing and Supply Chain at Arçelik since September 2010.

Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager
Finance and Accounting

He graduated from Ankara University, Faculty of Political Sciences, Department of International Relations. He earned his Finance-MBA from Virginia Commonwealth University and Ph.D. from Ankara University, Faculty of Political Sciences, Department of Accounting-Finance. He started his business career in the Ministry of Finance as a Junior Accountant in 1989 and served as an Account Expert, and Head Account Expert. He joined the Koç Group in 2002 and served as the Coordinator of the Koç Holding Finance Group. He has been the Assistant General Manager in charge of Finance and Accounting at Arçelik. since April 2005.

Ahmet İhsan Ceylan	Supply Chain Director
Ali Tayyar	Accounting Director - Headquarters and Plants
Barış Orbay	Marketing Director - Turkey
Brigitte Petit	Country Manager France - Beko France S.A. General Manager
Buket Çelebiöven	Human Resources Director
Cemal Can Dinçer	Sales Director - Europe, America, Asia-Pacific
Dr. Cemil İnan	Research and Development Director
E. C. Murat Büyükerk	Sales Director - Middle East, Africa, Turkic Republics
Ercüment Gülşen	Beko Sales Director
Erkan Duysal	Product Director - Electronics
Federico Mangiacotti	Country Manager Italy - Beko Italy S.R.L. General Manager
Hakan Kozan	Product Director - Dishwasher
Hakan Turan	Customer Services Director
Hasan Ali Yardımcı	Strategic Planning Director
Hilmi Cem Akant	Country Manager Spain - Beko Electronics Espana S. L.General Manager
Hüseyin Öner	Information Technologies Director
İhsan Somay	Accounting Director - Sales and Marketing
İsmail Kürşat Coşkun	Country Manager China - Beko Electrical Appliances Co Ltd. General Manager
Kamil Uğur Kayalı	Corporate Relations Coordinator

Hakan Hamdi Bulgurlu

Assistant General Manager
Sales Europe, America, Asia-Pacific

After earning his undergraduate degree from the Department of Economics and Mechanical Engineering at the University of Texas, Hakan Hamdi Bulgurlu went on to earn his MBA degree from the joint MBA program of Northwestern University's Kellogg School of Management and Hong Kong University of Science and Technology. He began his business career at Ram Dış Ticaret as a Sales Representative in 1995; following his serving as Sales Director for Ram Pacific, he worked at the Manufacturing, Strategic Planning and Marketing departments at Arçelik, Beko Elektronik, Atılım A.Ş. and Beko Ticaret. Bulgurlu later served as Ram Pacific Company Director, Ram Pacific General Director and Arçelik-LG Klima A.Ş. General Director. He has served as Assistant General Manager responsible for Sales in Europe, America and Asia-Pacific at Arçelik since September 2010.

İsmail Hakkı Sağır

Assistant General Manager
Production and Technology

İsmail Hakkı Sağır graduated from the Department of Mechanical Engineering at Middle East Technical University. He began his professional business career as a Project Engineer at Arçelik's Refrigerator Plant in 1980 and served as Quality Control Supervisor, Assistant Production Manager, Production Manager, Plant Manager, Compressor Product Director and Refrigerator Product Manager. He has served as Assistant General Manager responsible for Production and Technology at Arçelik since May 2009.

Şirzat Subaşı

Assistant General Manager, Sales Turkey, the Middle East, Africa and the Turkic Republics

Şirzat Subaşı graduated from Management Engineering Department Istanbul Technical University. He started his business career at Beko Ticaret A.Ş. in 1986 and served as Regional Sales Manager, Assistant Sales Manager, Sales Manager, Beko Sales Director, Director of Turkey Marketing and Sales Group and Assistant General Manager of Turkey Marketing and Sales. He has served as Assistant General Manager, Sales in Turkey, the Middle East, Africa and the Turkic Republics at Arçelik since May 2009.

Tülin Karabük

Assistant General Manager
Marketing

Tülin Karabük graduated from Business Administration Department at Bosphorus University in 1986. She started business career at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987, later serving in various management and senior management positions at 3M, KVK and Turkcell Group. In September 2009, she began to serve as Assistant General Manager responsible for Sales in Europe, America, and Asia-Pacific. Karabük has served as Assistant General Manager responsible for Marketing at Arçelik since September 2010.

Maciej Mienik	Country Manager Poland, Czech Republic and Slovakia Beko Polska General Manager - Beko S.A., Beko Cesko S.R.O., Beko Slovakia S.R.O. General Manager
Mehmet Savaş	Product Director - Dryer and Electric Motors
Mehmet Emin Bulak	Production Technologies Director
Melis Mutuş	Corporate Communications Coordinator
Monica Iavorschi	Country Manager Romania - S.C Arctic S.A. General Manager
Murad Şahin	Grundig Multimedia B.V General Manager
Mustafa Türkay Tatar	Finance Director
Mike Goadby	Country Manager Australia and New Zealand - Beko A and NZ Pty Ltd. General Manager
Nihat Bayız	Product Director - Refrigerator
Polat Şen	Purchasing Director
Ragıp Balcıoğlu	Country Manager UK - Beko PLC General Manager
Rauf Candan Oğuzkan Şatıroğlu	Country Manager Russia - Beko LLC General Manager
Ross Heron	Country Manager South Africa - Defy Appliances Pty Ltd.
Salih Arslantaş	Product Director - Washing Machine
Serdar Sözenoğlu	Country Manager Austria - Elektra Bregenz A.G. General Manager
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert	Product Management Director
Tevfik Adnan Tüfekçi	Product Director - Cooking Appliances
Turgut Karabulut	Arçelik Sales Director
Zafer Üstüner	Country Manager Germany - Beko Deutschland GmbH General Manager

- Agenda
- Profit Distribution Proposal
- Amendments to the Articles of Association
- Auditor's Report
- Consolidated Financial Statements and Independent Auditor's Report

THE AGENDA OF ARÇELİK A.Ş. ORDINARY GENERAL ASSEMBLY DATED MARCH 29, 2012

1. Opening and the Election of Presidential Board,

2. Reading the Report of the Board of Directors, the Report of the Auditors and the summary of the Report of the Independent Audit Institution Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Ernst & Young Global Limited), concerning the operations and accounts of the year 2011, discussing these reports, acceptance, acceptance after amendments or refusal of the proposal of the Board of Directors for the Balance Sheet and Income Statement of the year 2011,

3. The acquittal of the Members of the Board of Directors and the Auditors separately for the operations of the Company in 2011,

4. The acceptance, acceptance with modifications or refusal of the Board of Directors's offer for the distribution of the profit of the year 2011 and the profit distribution date,

5. Informing the General Assembly regarding the Company's "Profit Distribution Policy" for the year 2012 and the following years pursuant to the Corporate Governance Principles,

6. Informing the General Assembly about the Company's "Company Information Disclosure Policy" pursuant to the Corporate Governance Principles,

7. On condition that necessary permissions are obtained from the Capital Markets Board and T.R. Ministry of Customs and Trade, the approval of the amendments in Article 11 entitled "Formation", Article 12 entitled "Term and Election", Article 15 entitled "Other Provisions Related to Board of Directors", Article 16 entitled "Remuneration", Article 23 entitled "Types of Meeting", Article 26 entitled "Quorum" and Article 34 entitled "Duties of General Assembly" of the Articles of the Association of the Company and the approval of adding Article 45 entitled "Conformity to the Corporate Governance Principles" to the Articles of Association of the Company,

8. Determination of the number and duty term of the Members of Board of Directors, making an election in accordance with the number of members, determining the Independent Board Members,

9. Determination of the number of Auditors and making election pursuant to the determined number,

10. Determination of the "Remuneration Policy" for the Board Members and Top Managers pursuant to the Corporate Governance Principles,

11. Determination of gross monthly salaries of the Members of the Board of Directors and Auditors,

12. Approval of Independent Audit Institution selected by the Board of Directors in accordance with the Auditing Committee's offer, pursuant to the Communique of Independent Audit Standards in the Capital Market issued by Capital Markets Board,

13. Authorizing the shareholders that hold the management capacity, the Members of the Board of Directors, top managers and their wives and relatives by blood and marriage, second degree at the most to perform transactions that would cause a probable conflict of interest and competing with the Company or subsidiaries, to carry on businesses within the same domain with the company on their own or on behalf of others and to get into partnership with such companies and to perform other transactions, pursuant to the Articles 334 and 335 of the Turkish Commercial Code and informing the General Assembly about transactions made within this scope,

14. Informing the General Assembly about the donations and aid made by the Company in the year 2011 to foundations and associations for social relief purposes,

15. Authorization of the Presidential Board to sign the General Assembly Meeting Minutes on behalf of the Shareholders and to settle with this,

16. Wishes and opinions.

Esteemed Shareholders,

According to the financial tables for the accounting term 01.01.2011-31.12.2011 prepared in accordance with the International Financial Reporting Standards within the framework of the Communique of the Capital Markets Board Series: XI, Nr.: 29, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited) a TL 541,086,144.48 (Consolidated) Net Income has been provided, TL 506,505,644.22 of which is net income attributable to the equity holders of the parent. Prepared on basis of the long-term group strategy, the capital requirements of our company, our affiliates and subsidiaries; investment and finance policies as well as profitability and cash position, our proposal for profit distribution has been explained below. The payment of dividend will commence on April 5, 2012 in accordance with the decision to be adopted by the general assembly.

In accordance with Capital Market Law and Capital Market regulations, it was established that a distributable profit of TL 506,505,644.22 has been obtained, the sum of TL 514,641,465.73, which includes the addition of TL 8,135,821.51 consisting of the donations made to the tax-exempt foundations and associations, was the first dividend amount and in official records it was seen that there was a total distributable profit of TL 726,947,559.95, including TL 142,828,863.45 as net term profit after tax.

From the consolidated profit calculated according to Capital Markets Board Legislation, to propose

TL 300,000,000.00		As gross dividend to be distributed to the shareholders,
TL 26,621,358.98	10%	as 2nd group reserves and

Based on our legal records,

Funding TL 300,000,000.00 cash dividends through;

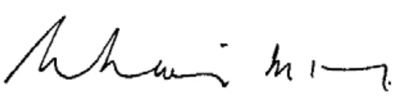
TL 25,378,713.96	Current year profits
TL 104,465,707.36	Current year's exceptional profits
TL 170,155,578.68	Reserve for Contingencies

- To pay TL 0.44397 gross=net cash dividend for one share with TL 1.00 nominal value at the rate of 44.4 % and to full taxpayer institution shareholders or to limited taxpayer institution shareholders who acquire dividend through an workplace or permanent represantative in Turkey;
- To pay TL 0.44397 gross and TL 0.40056 net cash dividend at the rate of 40.1% for one share with TL 1.00 nominal value to our other shareholders;

To propose abovementioned to General Assembly.

May 2012 be a prosperous year for our country and our company.

With our best regards,



Rahmi M. Koç
Chairman of the Board

REASONS FOR AMENDMENTS TO THE ARTICLES 11, 12, 15 AND 16 CONCERNING THE BOARD OF DIRECTORS

In order to ensure compliance with the Capital Markets Board (CMB) Communiqué Serial: IV, No: 57 amending the CMB Communiqué Serial: IV, No: 56 on “Principles Regarding Determination and Application of Corporate Governance Principles"; Principles No. 4.3.1, 4.3.5 and 4.6.4 of the CMB Corporate Governance Principles, which must be complied with those companies whose shares are publicly traded, concerning the structure of Board of Directors and "Announcement on the Issues Related to the Implementation of Corporate Governance Principles" released by the CMB on February 11, 2012, we amended the Articles of Association of our Company as follows:

- The Article 11, titled "Formation", of the Articles of Association of our Company has been amended to read, the "Board of Directors will consist of at least **5 (five)** members according to the **regulations of Capital Markets Board" and "The number and qualifications of independent board members who will serve in the Board of Directors is determined according to the regulations of Capital Markets Board concerning the corporate governance,"**
- The Article 12, titled "Term and Election", of the Articles of Association of our Company has been amended to read, "Members of the Board of Directors are elected for a term of 3 (three) years at the most" and "in the event that **an independent board member loses his/her independence status** the member elected in accordance with the provisions of **Capital Markets Board regulations and such changes are submitted to the approval of the first General Assembly,"**
- The Article 16, titled "Remuneration", of the Articles of Association of our Company has been amended to read, **"Remuneration plans based on the performance of the Company are not used in the payments to be made to the independent members of the Board of Directors."**

In order to ensure general compliance with the Article 5 of CMB Communiqué Serial: IV, No: 56 on "Principles Regarding Determination and Application of Corporate Governance Principles" and other relevant articles, which must be complied with those companies whose shares are publicly traded, we amended the Article 15, titled "Other Provisions Related to Board of Directors" of the Articles of Association of our Company as follows:

- **" Capital Markets Board regulations" and "Insofar, the clauses of the Article 45 of the Articles of Association are reserved in the quorums for meetings and decisions of the Board of Directors."has been added.**

REASONS FOR AMENDMENTS TO THE ARTICLES 23, 26 AND 34 CONCERNING GENERAL ASSEMBLY

In order to ensure general compliance with the Article 5 of CMB Communiqué Serial: IV, No: 56 on "Principles Regarding Determination and Application of Corporate Governance Principles" and other relevant articles, which must be complied with those companies whose shares are publicly traded, we amended the Article 23, titled, "Types of Meeting" and Article 26, titled "Quorum" of the Articles of Association of our Company to read **"in accordance with the Capital Markets Board regulations,"** and the Article 34 titled, "Duties of the General Assembly" to read **" Capital Markets Board regulations,"** and **"In the General Assembly votes, the clauses of the 45th item of the Articles of Association herein are reserved."**

REASON FOR ADDITION OF THE ARTICLE 45 TITLED, "CONFORMITY TO THE CORPORATE GOVERNANCE PRINCIPLES," TO THE PART OF MISCELLANEOUS PROVISIONS

In order to ensure compliance with the CMB Communiqué Serial: IV, No: 57 amending the CMB Communiqué Serial: IV, No: 56 on “Principles Regarding Determination and Application of Corporate Governance Principles" and "Announcement on the Issues Related to the Implementation of Corporate Governance Principles" released by the CMB on February 11, 2012, we have added:

"The Corporate Governance Principles are obeyed as necessitated by the Capital Markets Board. Transactions made and Board of Directors' decisions taken disregarding the mandatory principles are regarded as invalid and contrary to the Articles of Association.

Regulations of the Capital Markets Board concerning the corporate governance are applied in the transactions which are deemed significant in respect to the implementation of Corporate Governance Principles, in all transactions of the company with related parties and in transactions regarding the assurance and furnishing pledge including mortgage in favor of the third parties."

OLD TEXT
FORMATION

Article 11- The business of the company is run by a Board of Directors that will consist of at least three members to be selected among the shareholders within the frame of Turkish Commercial Law. The General Manager of the Company can be appointed as a Board Member.

NEW TEXT
FORMATION

Article 11- The business of the company is run by a Board of Directors that will consist of at least **5 (five)** members to be selected among the shareholders within the frame of Turkish Commercial Law **and Capital Markets Board regulations.** The General Manager of the Company can be appointed as a Board Member.

The number and qualifications of independent board members who will serve in the Board of Directors is determined according to the regulations of Capital Markets Board concerning the corporate governance.

OLD TEXT
TERM AND ELECTION

Article 12- Members of the Board of Directors are elected for a term of one year. In the event that a member position is vacated the member elected in accordance with the provisions of Turkish Trade Law serves for the remaining term of the predecessor.

The persons, who are nominated and elected as members of the Board of Directors, will have information and experience about the Company's field of activity and management, analyze financial statements and reports , have basic knowledge about the legal procedures that the Company follows and preferably be university graduate.

The member who served his/her term may be reelected. General Assembly may any time wholly or partially change the members of the Board of Directors without being bound with the service term.

Service duty of Persons elected to the Board of Directors as a representative of a Legal Entity expires upon written notification to the Board of Directors by the Legal entity specifying that the said persons relationship with the legal entity has been terminated.

NEW TEXT
TERM AND ELECTION

Article 12- Members of the Board of Directors are elected for a term of **3 (three) years at the most.** In the event that a member position is vacated **or an independent board member loses his/her independence status** the member elected in accordance with the provisions of Turkish Trade Law **and Capital Markets Board regulations** serves for the remaining term of the predecessor **and such changes are submitted to the approval of the first General Assembly.**

The persons, who are nominated and elected as members of the Board of Directors, will have information and experience about the Company's field of activity and management, analyze financial statements and reports , have basic knowledge about the legal procedures that the Company follows and preferably be university graduate.

The member who served his/her term may be reelected. General Assembly may any time wholly or partially change the members of the Board of Directors without being bound with the service term.

Service duty of Persons elected to the Board of Directors as a representative of a Legal Entity expires upon written notification to the Board of Directors by the Legal entity specifying that the said persons relationship with the legal entity has been terminated.

OLD TEXT
OTHER PROVISIONS RELATED TO BOARD OF DIRECTORS

Article 15- Form of meeting, quorums for meetings and decisions, voting, duties and powers of the Board of Directors, conditions pertaining to withdrawal, death of a board member or inability to perform his duties, election of a new board member to the position vacated are carried in accordance with the provisions of Turkish Trade Law.

However, the following operations are executed in all cases by the decision of the Board of Directors:

1. Employment and termination of employment of General Manager and Assistant General Managers and determination of employment and powers of same.
2. Determination of persons authorized to sign on behalf of the Company and the Limits of the authority of same.
3. Determination time and terms of business subjects to be undertaken which are included in the Article nr. 3 of the Articles of Association.
4. Agencies and Representations to be obtained for the Company.
5. Opening and closing branches.
6. Principle decisions pertaining to purchase and sale.
7. Purchase and sale of immovables for the company.
8. Determination of annual business program, budget and staff and make changes in the same.
9. Preparation of Balance Sheet, Profit and Loss Statement and Annual Report.
10. Other businesses specified in the Articles of Association and Turkish Trade Law which can be carried out only by Board of Directors Decision.

NEW TEXT
OTHER PROVISIONS RELATED TO BOARD OF DIRECTORS

Article 15- Form of meeting, quorums for meetings and decisions, voting, duties and powers of the Board of Directors, conditions pertaining to withdrawal, death of a board member or inability to perform his duties, election of a new board member to the position vacated are carried in accordance with the provisions of Turkish Trade Law **and Capital Markets Board regulations.**

However, the following operations are executed in all cases by the decision of the Board of Directors:

1. Employment and termination of employment of General Manager and Assistant General Managers and determination of employment and powers of same.
2. Determination of persons authorized to sign on behalf of the Company and the Limits of the authority of same.
3. Determination time and terms of business subjects to be undertaken which are included in the Article nr. 3 of the Articles of Association.
4. Agencies and Representations to be obtained for the Company.
5. Opening and closing branches.
6. Principle decisions pertaining to purchase and sale.
7. Purchase and sale of immovables for the company.
8. Determination of annual business program, budget and staff and make changes in the same.
9. Preparation of Balance Sheet, Profit and Loss Statement and Annual Report.
10. Other businesses specified in the Articles of Association and Turkish Trade Law which can be carried out only by Board of Directors Decision.

Insofar, the clauses of the Article 45 of the Articles of Association are reserved in the quorums for meetings and decisions of the Board of Directors.

OLD TEXT
REMUNERATION

Article 16- Attendance fees can be paid to Board Members within the context of Turkish Commercial Code. In consideration of other services that Board Members and above mentioned committee members have provided, in addition to attendance fees, can be paid salaries, bonuses or premiums. The method and the amount of the payments to the Board Members including executive directors due to board membership are determined by the General Assembly and the method and the amount of the payments to committee members due to committee membership service are determined by the Board of Directors in line with the legislation.

NEW TEXT
REMUNERATION

Article 16- Attendance fees can be paid to Board Members within the context of Turkish Commercial Code. In consideration of other services that Board Members and above mentioned committee members have provided, in addition to attendance fees, can be paid salaries, bonuses or premiums. **Remuneration plans based on the performance of the Company are not used in the payments to be made to the independent members of the Board of Directors.** The method and the amount of the payments to the Board Members including executive directors due to board membership are determined by the General Assembly and the method and the amount of the payments to committee members due to committee membership service are determined by the Board of Directors in line with the legislation.

OLD TEXT
TYPES OF MEETING

Article 23- General Assembly meets ordinarily and extraordinarily.

Ordinary General Assembly meets within three months from the end of accounting period of the Company and at least once a year. At this meeting the annual transactions and accounts and other subjects in the agenda are reviewed and decided upon. Extraordinary General Assembly meets at time circumstances the company business requires in accordance with the provisions of Turkish Trade Law and this Articles of Association and reviews the subjects included in the agenda and takes the required decisions.

NEW TEXT
TYPES OF MEETING

Article 23- General Assembly meets ordinarily and extraordinarily.

Ordinary General Assembly meets within three months from the end of accounting period of the Company and at least once a year. At this meeting the annual transactions and accounts and other subjects in the agenda are reviewed and decided upon. Extraordinary General Assembly meets at time circumstances the company business requires in accordance with the provisions of Turkish Trade Law, **Capital Markets Board regulations** and this Articles of Association and reviews the subjects included in the agenda and takes the required decisions.

OLD TEXT
QUORUM

Article 26- Provisions of Turkish Trade Law concerning the quorum at ordinary and extraordinary General Assembly shall be valid.

NEW TEXT
QUORUM

Article 26- Provisions of Turkish Trade Law **and Capital Markets Board regulations** concerning the quorum at ordinary and extraordinary General Assembly shall be valid.

OLD TEXT
DUTIES OF THE GENERAL ASSEMBLY

Article 34- The main duties and powers of the General Assembly are as follows:

1. Discuss and decide on matters which are outside the authority of the Board of Directors.
2. Decide on the reports, balance sheet, Profit and Loss Statement to be issued by the Board of Directors and the Auditors, Decide on the release or liability of the Board of Directors and the Auditors, determine the method of profit distribution.
3. Select the members of the Board of Directors and change them when necessary, determine the remuneration to be provided to them.
4. Decide on whether or not to give permission for transaction which the members of the Board of Directors are required to obtain permission.

The powers of the General Assembly are not limited with only the ones specified above but includes decisions concerning the business directly or indirectly related with the Company such as conducting and developing company business, changing provisions of Articles of Association within the scope of Turkish Trade Law clauses.

NEW TEXT
DUTIES OF THE GENERAL ASSEMBLY

Article 34- The main duties and powers of the General Assembly are as follows:

1. Discuss and decide on matters which are outside the authority of the Board of Directors.
2. Decide on the reports, balance sheet, Profit and Loss Statement to be issued by the Board of Directors and the Auditors, Decide on the release or liability of the Board of Directors and the Auditors, determine the method of profit distribution.
3. Select the members of the Board of Directors and change them when necessary, determine the remuneration to be provided to them.
4. Decide on whether or not to give permission for transaction which the members of the Board of Directors are required to obtain permission.

The powers of the General Assembly are not limited with only the ones specified above but includes decisions concerning the business directly or indirectly related with the Company such as conducting and developing company business, changing provisions of Articles of Association within the scope of Turkish Trade Law clauses **and Capital Markets Board regulations. In the General Assembly votes, the clauses of the 45th item of the Articles of Association herein are reserved.**

NEW TEXT
CONFORMITY TO THE CORPORATE GOVERNANCE PRINCIPLES

Article 45- The Corporate Governance Principles are obeyed as necessitated by the Capital Markets Board. Transactions made and Board of Directors' decisions taken disregarding the mandatory principles are regarded as invalid and contrary to the Articles of Association.

Regulations of the Capital Markets Board concerning the corporate governance are applied in the transactions which are deemed significant in respect to the implementation of Corporate Governance Principles, in all transactions of the company with related parties and in transactions regarding the assurance and furnishing pledge including mortgage in favor of the third parties.

AUDITOR'S REPORT

To The General Assembly of Arçelik A.Ş.

Please find below results of the auditing activities in relation with the financial year 2011 of the Company.

1. It is understood pursuant to Turkish Commercial Code and the relevant regulations that;

   a. Mandatory books and records are duly kept pursuant to the laws,

   b. Documents evidencing the records are regularly kept,

   c. Decisions related to the Company management are duly recorded in the book of decisions.

2. In this context regarding the status of the Company, we are in the opinion that the attached consolidated financial statements, prepared as of December 31, 2011 in accordance with the provisions of Communique Serial: XI, No: 29 of the Capital Markets Board on "Principles for Financial Reporting in Capital Markets" as well as the announcements that provide explanations thereto, reflect accurately the consolidated financial status and consolidated activity results of the Company as of the aforementioned period.

As a conclusion, we hereby submit company affairs summarized in the Report issued by the Board of Directors, consolidated financial statements issued in accordance with the Capital Market regulations, proposals of the Board of Directors about the period results and the acquittal of the Board of Directors to the approval of the General Assembly.

Istanbul, February 16, 2012

Sincerely,

İnanç Kiraz	**İbrahim Murat Çağlar**

ERNST & YOUNG

Güney Bağımsız Denetim ve SMMM A.Ş.
Büyükdere Cad. Beytem Plaza No:22
K:9-10 İstanbul - Türkiye

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Fax: +90 (212) 230 82 91
www.ey.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Arçelik Anonim Şirketi;

We have audited the accompanying consolidated balance sheets of Arçelik A.Ş. (the Company or "Arçelik") and its Subsidiaries (together "the Group") as at December 31, 2011 and the related consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey (the CMB). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the CMB. Those standards require that ethical requirements are complied and independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Arçelik A.Ş. and its Subsidiaries as at December 31, 2011 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ertan Ayhan, SMMM
Engagement Partner

February 16, 2012
Istanbul, Turkey

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	5	1,173,889	1,317,166
Derivative financial instruments	8	2,932	1,185
Trade receivables	9	3,180,870	2,324,578
Inventories	11	1,530,141	987,526
Other current assets	21	146,017	117,984
Total current assets		**6,033,849**	**4,748,439**
Non-current assets			
Trade receivables	9	16,018	12,461
Financial investments	6	491,376	658,679
Associates	12	160,580	136,604
Investment properties	13	6,441	5,480
Property, plant and equipment	14	1,446,841	1,252,245
Intangible assets	15	783,094	461,417
Goodwill	16	196,167	7,190
Deferred tax assets	29	63,387	39,244
Total non-current assets		**3,163,904**	**2,573,320**
Total assets		**9,197,753**	**7,321,759**

The consolidated financial statements as at and for the year ended December 31, 2011 have been approved for issue by the Board of Directors on February 16, 2012 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	December 31, 2011	December 31, 2010
LIABILITIES			
Current liabilities			
Financial liabilities	7	1,628,943	839,220
Derivative financial instruments	8	195	239
Trade payables	9	1,249,531	968,962
Other payables	10	183,691	129,530
Current income tax liabilities	29	23,250	18,970
Provisions	19	232,390	205,160
Other current liabilities	21	212,620	179,908
Total current liabilities		**3,530,620**	**2,341,989**
Non-current liabilities			
Financial liabilities	7	1,528,237	1,218,072
Due to related parties	31	70,539	63,681
Provision for employment termination benefits	20	106,782	99,700
Deferred tax liabilities	29	226,142	128,549
Provisions	19	81,519	58,136
Other non-current liabilities		2,273	3,898
Total non-current liabilities		**2,015,492**	**1,572,036**
Total liabilities		**5,546,112**	**3,914,025**
EQUITY			
Paid-in capital	22	675,728	675,728
Adjustment to share capital	22	468,811	468,811
Share premium		889	889
Revaluation fund	22	341,505	511,969
Restricted reserves	22	190,066	168,445
Currency translation differences		145,922	29,585
Contribution to shareholders' equity related to the merger	22	14,507	14,507
Retained earnings		1,201,658	954,525
Net income for the year attributable to equity holders of the parent		506,506	517,093
Attributable to:			
Equity holders of the parent		3,545,592	3,341,552
Non-controlling interest		106,049	66,182
Total equity		**3,651,641**	**3,407,734**
Total liabilities and equity		**9,197,753**	**7,321,759**
Commitments, contingent assets and liabilities	18		

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2011	2010
Net sales	23	8,437,239	6,936,420
Cost of sales	23	(5,897,009)	(4,868,473)
Gross profit		**2,540,230**	**2,067,947**
Marketing, selling and distribution expenses	24	(1,474,254)	(1,161,489)
General administrative expenses	24	(342,572)	(280,363)
Research and development expenses	24	(64,847)	(60,520)
Other income	26	60,194	130,416
Other expenses	26	(72,857)	(58,341)
Operating profit		**645,894**	**637,650**
Income from associates (net)	12	28,378	11,907
Financial income	27	415,558	287,046
Financial expenses	28	(474,421)	(279,965)
Income before tax		**615,409**	**656,638**
Income tax expense			
- Taxes on income	29	(71,996)	(83,492)
- Deferred tax expense	29	(2,326)	(23,899)
Net income		**541,087**	**549,247**
Attributable to:			
Non-controlling interest		34,581	32,154
Equity holders of the parent		**506,506**	**517,093**
Earnings per share (Kr)	30	**0.750**	**0.765**

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	2011	2010
Net income for the year	**541,087**	**549,247**
Other comprehensive income:		
Fair value (decrease)/increase on financial assets	(167,280)	262,865
Tax effect	8,364	(13,143)
	(158,916)	**249,722**
Foreign currency hedge of net investments in foreign operations	(59,205)	(12,171)
Tax effect	11,841	2,434
	(47,364)	**(9,737)**
Share of other comprehensive income of associates	1,151	-
	1,151	**-**
Cash flow hedges	(20,965)	789
Less: transfers to carrying amounts of hedged items (Note 3)	20,965	-
Tax effect	-	(158)
	-	**631**
Tax effect of amortization calculated over intangible assets revaluation increases	**423**	**363**
Currency translation differences	**169,351**	**(16,251)**
Reclassification:		
Cash flow hedges (net)	(271)	(360)
Other comprehensive income/(loss) (net of tax)	**(35,626)**	**224,368**
Total comprehensive income	**505,461**	**773,615**
Attributable to:		
Non-controlling interest	51,421	32,241
Equity holders of the parent	**454,040**	**741,374**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Paid-in capital	Adjustment to share capital	Share premium	Revaluation funds	Restricted reserves	Currency translation differences	Contribution to shareholders' equity due to merger	Retained earnings	Net income for the period	Equity holders of the parent	Non-controlling interest	Total equity
As of January 1 2010	**675,728**	**468,811**	**889**	**283,558**	**161,824**	**35,137**	**14,507**	**574,257**	**485,410**	**2,700,121**	**43,382**	**2,743,503**
Comprehensive income												
Net income for the period	-	-	-	-	-	-	-	-	517,093	**517,093**	32,154	**549,247**
Other comprehensive income												
Fair value gains on financial assets (net)	-	-	-	249,722	-	-	-	-	-	**249,722**	-	**249,722**
Cash flow hedges (net)	-	-	-	271	-	-	-	-	-	**271**	-	**271**
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(9,737)	-					**(9,737)**	-	**(9,737)**
Tax effect of depreciation calculated over non-current assets revaluation increases	-	-	-	363	-	-	-	-	-	**363**	-	**363**
Currency translation differences	-	-	-	(10,786)	-	(5,552)	-	-	-	**(16,338)**	87	**(16,251)**
Total other comprehensive income	**-**	**-**	**-**	**229,833**	**-**	**(5,552)**	**-**	**-**	**-**	**224,281**	**87**	**224,368**
Total comprehensive income	**-**	**-**	**-**	**229,833**	**-**	**(5,552)**	**-**	**-**	**517,093**	**741,374**	**32,241**	**773,615**
Transfers	-	-	-	-	-	-	-	485,410	(485,410)	-	-	-
Depreciation effect of the revaluation of non-current assets (net)	-	-	-	(1,422)	-	-	-	1,422	-	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	57	-	**57**	(57)	-
Dividends paid(Note 30)	-	-	-	-	6,621	-	-	(106,621)	-	**(100,000)**	(9,384)	**(109,384)**
As of December 31 2010	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**954,525**	**517,093**	**3,341,552**	**66,182**	**3,407,734**
As of January 1 2011	**675,728**	**468,811**	**889**	**511,969**	**168,445**	**29,585**	**14,507**	**954,525**	**517,093**	**3,341,552**	**66,182**	**3,407,734**
Comprehensive income												
Net income for the period	-	-	-	-	-	-	-	-	506,506	**506,506**	34,581	**541,087**
Other comprehensive income												
Fair value losses on financial assets (net)	-	-	-	(158,916)	-	-	-	-	-	**(158,916)**	-	**(158,916)**
Cash flow hedges (net)	-	-	-	(271)	-	-	-	-	-	**(271)**	-	**(271)**
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	(47,364)	-	-	-	-	-	**(47,364)**	-	**(47,364)**
Share of other comprehensive income/(loss) of associates	-	-	-	1,151	-	-	-	-	-	**1,151**	-	**1,151**
Tax effect of depreciation calculated over non-current assets revaluation increases	-	-	-	423	-	-	-	-	-	**423**	-	**423**
Currency translation differences	-	-	-	36,174	-	116,337	-	-	-	**152,511**	16,840	**169,351**
Total other comprehensive income	**-**	**-**	**-**	**(168,803)**	**-**	**116,337**	**-**	**-**	**-**	**(52,466)**	**16,840**	**(35,626)**
Total comprehensive income	**-**	**-**	**-**	**(168,803)**	**-**	**116,337**	**-**	**-**	**506,506**	**454,040**	**51,421**	**505,461**
Transfers	-	-	-	-	-	-	-	517,093	(517,093)	-	-	-
Depreciation effect of the revaluation of non-current assets (net)	-	-	-	(1,661)	-	-	-	1,661	-	-	-	-
Dividends paid(Note 30)	-	-	-	-	21,621	-	-	(271,621)	-	**(250,000)**	(11,554)	**(261,554)**
As of December 31 2011	**675,728**	**468,811**	**889**	**341,505**	**190,066**	**145,922**	**14,507**	**1,201,658**	**506,506**	**3,545,592**	**106,049**	**3,651,641**

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2011	2010
Operating activities:			
Income before tax		**615,409**	**656,638**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Changes in provisions	34	111,676	35,773
Depreciation and amortization	25	217,834	192,538
Interest income	27	(35,572)	(39,080)
Interest expenses	28	103,530	101,071
Income from associates (net)	12	(28,378)	(11,907)
Loss/(gain) from sales of tangible and intangible assets (net)	26	1,043	(37,310)
Loss from sale of financial assets		19	-
Net cash flow from operating activities before changes in operating assets and liabilities		**985,561**	**897,723**
Changes in operating assets and liabilities (net)	34	(1,000,618)	9,067
Corporate taxes paid		(70,613)	(61,872)
Cash flows from operating activities		**(85,670)**	**844,918**
Investing activities:			
Acquisition of subsidiary, net of cash acquired	3	(502,400)	-
Acquisition of tangible and intangible assets		(359,517)	(249,365)
Interest received		38,436	39,590
Cash provided from sales of tangible and intangible assets		7,477	53,825
Dividends received	12	5,553	4,472
Cash provided from sales of financial assets		4	-
Cash flows from investing activities		**(810,447)**	**(151,478)**
Financing activities:			
Proceeds from bank borrowings		1,746,970	1,830,029
Repayment of bank borrowings		(656,882)	(1,878,675)
Dividends paid		(261,554)	(109,384)
Interest paid		(93,730)	(107,174)
Cash flows from financing activities		**734,804**	**(265,204)**
Currency translation differences (net)		20,900	(15,294)
Net (decrease)/ increase in cash and cash equivalents		**(140,413)**	**412,942**
Cash and cash equivalents at January 1	**5**	**1,313,075**	**900,133**
Cash and cash equivalents at December 31	**5**	**1,172,662**	**1,313,075**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 22).

The Company's head office is located at:
Karaağaç Caddesi No: 2-6
Sütlüce 34445 Beyoğlu
Istanbul / Turkey

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At December 31, 2011, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group in the year is 19,136 (2010: 17,931).

Subsidiaries	Country of incorporation	Core Business	Nature of business
Continuing operations as of balance sheet date			
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Ardutch B.V. Taiwan ("Ardutch Taiwan")	Taiwan	Purchase	Consumer durables/Electronics
Beko A and NZ Pty Ltd. ("Beko Australia")	Australia	Sales	Consumer durables
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko France S.A.S. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Sales	Electronics
Grundig Nordic No AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig Nordic AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics
Defy Appliances (Proprietary) Limited ("Defy")	Republic of South Africa	Production/Sales	Consumer Durables
Defy Namibia (Proprietary) Limited ("Defy Namibia")	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Limited ("Defy Trust Two")	Republic of South Africa	Investment	Real Estate
Kindoc Park (Proprietary) Limited ("Defy Kindoc")	Republic of South Africa	Investment	Real Estate
Ceased operations as of balance sheet date			
Archin Limited ("Archin")	Hong Kong, China	-	-
ArcticPro SRL ("ArcticPro")	Romania	-	-
Beko Cesko ("Beko Cesko")	Czech Republic	-	-
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")	Hungary	-	-
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb")	Germany	-	-
Beko S.A. Hungary ("Beko Hungary")	Hungary	-	-
Blomberg Werke GmbH ("Blomberg Werke")	Germany	-	-
Grundig Ceska Republika S.r.o ("Grundig Ceska")	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	-	-
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	-	-
Grundig Magyarorszá'87g Kft. ("Grundig Hungary")	Hungary	-	-
Grundig Polska Sp. Z o.o. ("Grundig Polska")	Poland	-	-
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	-	-
Grundig Slovakia s.r.o ("Grunding Slovakia")	Slovakia	-	-
Ocean Appliances Limited. ("Defy Ocean")	Republic of South Africa	-	-
Carron SA (Proprietary) Limited ("Defy Carron")	Republic of South Africa	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Associates	Country of incorporation	Core Business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer durables
Koç Tüketici Finansmanı A.Ş. ("Koç Tüketici Finans")	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing and communication

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the financial reporting standards published by the CMB, namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué No. XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union ("EU"). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008 and 9 January 2010, including the compulsory disclosures.

Arçelik maintains its books of account and prepare its statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These consolidated financial statements have been prepared under the historical cost convention except for the derivative financial instruments and financial investments presented at fair values, and the revaluations as the difference between carrying and fair values of tangible and intangible assets arisen in the business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective for the financial period ending at December 31, 2011:

The accounting policies, which are basis of presentation of consolidated financial statements for the financial period ending at December 31, 2011, are consistent with IFRS and IFRIC interpretations of the previous financial year except for the new standards and interpretation adopted in the periods beginning on January 1, 2011 summarized below:

- IFRIC 14 "IAS 19" - Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 32 Financial Instruments: Presentation-Classification on Rights Issues (Amended)
- IAS 24 Related Party Disclosures (Amended)
- Improvements to IFRS's (May 2010)

Aforementioned new and amended IFRS and IFRIC interpretations do not have any significant impact on consolidated financial statements of the Group.

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements:

Standards, revisions and interpretations in issue but not effective and yet adopted on financial statements are summarized below:

IFRS 9 Financial Instruments – Classification and measurement
As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IAS 12 "Deferred Taxes: Recovery of Underlying Assets (Amended)"
The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IFRS 7 "Financial Instruments – Disclosures as part of its comprehensive review of off balance sheet activities (Amended)"
Effective for annual periods beginning on or after July 1, 2011. This amendment allows users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)
New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial statements of the Group.

IFRS 10 " Consolidated Financial Statements"
The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Group does not expect that this new standard will have an impact on the financial statements of the Group.

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early and retrospective application is required.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Group does not expect that this new standard will have an impact on the financial statements of the Group.

IFRS 12 " Disclosure of Interests in Other Entities "

The standard is effective for annual periods beginning on or after January 1, 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early and retrospective application is required.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

UFRS 13 " Fair Value Measurement"

The new standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is mandatory for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

IAS 27 " Separate Financial Statements (Amended)"

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 28 " Investments in Associates and Joint Ventures (Amended)"

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial statements of the Group.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial statements of the Group.

IAS 19 " Employee Benefits (Amended)"

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the amendment.

IAS 1 " Presentation of Financial Statements (Amended)"

The amendments are effective for annual periods beginning on or after July,1 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. This standard has not yet been endorsed by the EU. The amendment will only affect the basis of presentation and the Group does not expect that this amendment will have an impact on its financial position or performance.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TRY, which is the functional currency of Arçelik and the presentation currency of the Group.

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries operating in countries other than Turkey are adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are included in the "currency translation difference" under the shareholders' equity.

Consolidation principles

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity with CMB Financial Reporting Standards and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Arçelik has capability to control the financial and operating policies for the benefit of Arçelik, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, at December 31, 2011 and 2010 (%):

	December 31, 2011		December 31, 2010	
	Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Archin	100.00	100.00	100.00	100.00
Arctic	96.71	96.71	96.71	96.71
Arctic Pro	100.00	100.00	100.00	100.00
Ardutch	100.00	100.00	100.00	100.00
Ardutch Taiwan (1)	100.00	100.00	-	-
Bekodutch B.V. ("Bekodutch") (2)	-	-	100.00	100.00
Beko Australia (1)	100.00	100.00	-	-
Beko Cesko	100.00	100.00	100.00	100.00
Beko China	100.00	100.00	100.00	100.00
Beko Czech	100.00	100.00	100.00	100.00
Beko Deutschland	100.00	100.00	100.00	100.00
Beko Elektronik Llc ("Beko Elektronik Russia") (3)	-	-	100.00	100.00
Beko Espana	100.00	100.00	100.00	100.00
Beko France	100.00	100.00	100.00	100.00
Beko Hungary	100.00	100.00	100.00	100.00
Beko Italy	100.00	100.00	100.00	100.00
Beko Magyarorszag	100.00	100.00	100.00	100.00
Beko Polska	100.00	100.00	100.00	100.00
Beko Russia	100.00	100.00	100.00	100.00
Beko Slovakia	100.00	100.00	100.00	100.00
Beko Shanghai	100.00	100.00	100.00	100.00
Beko UK (4)	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Defy (5)	100.00	100.00	-	-
Defy Carron (5)	100.00	100.00	-	-
Defy Kindoc (5)	100.00	100.00	-	-
Defy Namibia (5)	100.00	100.00	-	-
Defy Ocean (5)	100.00	100.00	-	-
Defy Trust Two (5)	100.00	100.00	-	-
Elektra Bregenz	100.00	100.00	100.00	100.00
Grundig Multimedia	100.00	100.00	100.00	100.00
Grundig Austria	100.00	100.00	100.00	100.00
Grundig Czech Republic	100.00	100.00	100.00	100.00
Grundig Nordic DK A/S ("Grundig Denmark") (6)	-	-	100.00	100.00
Grundig Nordic Fin OY ("Grundig Finland ") (6)	-	-	100.00	100.00
Grundig Intermedia	100.00	100.00	100.00	100.00
Grundig Italy	100.00	100.00	100.00	100.00
Grundig Hungary	100.00	100.00	100.00	100.00
Grundig Norway	100.00	100.00	100.00	100.00
Grundig Portugal	100.00	100.00	100.00	100.00
Grundig Polska	100.00	100.00	100.00	100.00
Grundig Slovakia	100.00	100.00	100.00	100.00
Grundig Sweden	100.00	100.00	100.00	100.00
Grundig Schweiz AG ("Grundig Switzerland") (6)	-	-	100.00	100.00
Raupach	100.00	100.00	100.00	100.00

(1) Established in 2011.
(2) Legally merged with Ardutch in 2011.
(3) Legally merged with Beko Russia in 2011.
(4) Activities such as appointment of the subsidiary's management or votes of the board of directors are controlled by Arçelik, accordingly the subsidiary has been fully consolidated when the shareholding percentage is 50%.
(5) Acquired in 2011 (Note 3)
(6) Dissolved in 2011.

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) Associates are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

The table below sets out all Associates and shows their direct and indirect ownership at December 31, 2011 and 2010 (%):

	2011	2010
Arçelik - LG	45.00	45.00
Koç Tüketici Finans	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

(e) Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value.

(f) The non-controlling share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated balance sheets and statements of income.

Going concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realise the assets and settle the liabilities simultaneously.

Comparatives and restatement of prior periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year consolidated financial statements and the significant changes are explained.

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new TAS/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The estimates used in the preparation of the current year consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2011, except for the changes explained below in Note 2.2.1 and Note 2.2.2.

2.2.1. Changes in estimates used in revenue recognition

Sales on credit terms are discounted using an imputed rate of interest, and the difference between fair value and nominal value of the sales consideration is recognized in the following periods on an accrual basis as financial income. Applicable for the periods beginning on or after January 1, 2011, with the effect of the declining effective interest rates compared to previous periods, sales with the credit terms with less than one year, are recognized with nominal values and are not subject to any discounting due to materiality.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in estimates used in recognition of material and inventory purchases

When the materials constituting the cost of material and stocks are purchased on credit terms, these purchases and assets are recognized by discounting in order to eliminate the credit finance part over the purchase. Applicable for the periods beginning on or after January 1, 2011, purchases of materials and stocks are accounted for with nominal values and are not subject to any discounting due to materiality.

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 31).

The Group recognizes sales and purchases related to its Subsidiaries made through Ram Dış Ticaret as intra-group transactions; thus these transactions are eliminated in the consolidated financial statements.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 9).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income (Note 26).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labour and factory overheads. The cost of borrowings is not included in the costs of inventories Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale (Note 11).

Financial investments

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's loans and receivables comprise "trade receivables" and "cash and cash equivalents" in the balance sheet.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date.

(c) Financial assets at fair value through profit or loss - Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges.

Derivative financial instruments held for trading

The Group uses trading derivatives such as forward currency contracts and foreign currency swaps. Although these derivative instruments provide effective economic hedges for the Group, as such derivatives do not meet the criteria for hedge accounting they have been accounted as derivative financial instruments held for trading in the consolidated financial statements. Any gains or losses arising from changes in fair value on these derivatives are taken directly to the consolidated income statement.

Cash flow hedge

The Group designated various derivative financial contracts as a cash flow hedge against any gains or losses arising from price and foreign currency risks which may affect income statement in possible cash outflows resulting from commodity purchase and share purchase in scope of acquisition at the date of contracts.

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts accounted for under equity are transferred to the consolidated statement of income and classified as income or expense in the period in which the hedged item affects the statement of income.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred to income statement on the disposal of the foreign operation (Note 32).

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (Note 5). For the purpose of consolidated statatements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals.

Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives (Note 13).

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of discounted net value of future cash flows from the use of the related investment property or fair value less cost to sell.

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery, equipment and moulds	4 - 25 years
Motor vehicles and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in other income or expense accounts.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. All other costs are charged to the statements of income during the financial year in which they are incurred (Note 14).

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note15).

a) Brands

Internally generated brand are not recognized as intangible assets as their costs cannot be distinguished from the cost of improvement of operations as a whole. Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value at the acquisition date in the financial statements.

The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group.

A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount when the carrying amount of the brand exceeds its recoverable amount.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

b) Trademark licenses and patents

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademark licenses and patents acquired in a business combination are accounted for at their fair values at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (five years).

c) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

d) Computer software and rights

Computer software and rights are recognized at their acquisition cost. They are amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortisation.Their estimated useful lives are 4-15 years.

Business combinations and goodwill

A business combination is evaluated as the bringing together of separate entities or businesses into one reporting entity.

Business combinations realized before January 1, 2010 have been accounted for by using the purchase method in the scope of IFRS 3 "Business combinations" prior to amendment. The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 3, 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, no goodwill is recognized. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under "effect of transactions under common control" in retained earnings.

Fair value changes of contingent consideration that arise from business combinations occured before January 1, 2010 are adjusted against goodwill.

IFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2011, is applied for business combinations realized in 2011.

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Leases

(1) The Group as the lessee

Finance leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged as expense to the consolidated statement of income. Depreciation on the relevant asset is also charged to the consolidated statement of income over its useful life.

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(2) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognized on a straight-line basis over the lease term.

Financial liabilities and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred (Note 7). Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 29).

The principal temporary differences arise from the carrying values of property, plant and equipment and available-for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred tax relating to items recognized directly in equity is recognized in equity.

The Company recognises deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

The Company recognises deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service (Note 20). Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. All actuarial profits and losses are recognized in consolidated statements of income.

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income and expenses in the consolidated statements of income, except for the effective portion of the foreign currency hedge of net investments in foreign operations.
Non-monetary items which are denominated in foreign currency and measured with historical costs are translated using the exchange rates at the dates of initial transactions.

Revenue recognition

Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less actual and estimated sales discounts and returns. Sales taxes such as Value Added Taxes ("VAT") excluded from revenue.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants are related with expense or capitalization realized in previous accounting periods, recognized in income statement when collectible.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared
(Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods.

Warranty expenses

Warranty expenses includes repair and maintenance expenses for products sold and labour and material costs of authorised services'for products under the scope of the warranty terms without any charge to the customers. Based on estimations using past statistical information warranty services and returns of products, warranty expenses are recognized for the products sold in the period for possible utilizations of warranties in the following future periods (Note 19).

Assembly Provisions

As a result of forecasts that are based on past experience and future expectations, Assembly provisions expenses are recognized in the period, which the products are sold to dealers but not yet installed in the sites of the end customers, against the costs of future free of charge aforementioned installments (Note 19).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 18).

Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings or inflation adjustments. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Board of Directors has been identified as the component authority to decide on the operations of the entity. (Note 4)

Reporting of cash flows

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

2.4 Critical accounting estimates, judgments, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment test for intangible assets which have indefinite useful lives and goodwill:

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 15 and 16). Impairment was not identified as a result of these tests.

The fair value of the available-for-sale financial assets:

The fair value of the available-for-sale financial instruments that are not traded in an active market have been calculated by using references to the uncollusive market transactions, the fair values of the similar instruments and the discounted cash flows analysis (Note 6).

2.5 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in Note 2.1 (defined as CMB Financial Reporting Standards) to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1 to December 31, 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with IFRS.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - BUSINESS COMBINATIONS

On November 30,2011 the Group has acquired 100% of the shares of Defy company who owns 100% shares of Defy Namibia, Defy Trust Two, Defy Kindoc, Defy Ocean, Defy Carron (together be called as "Defy Group" hereinafter.) Defy Group is located in South Africa and its main activities are production of refrigerators, freezers, dryers, ovens, cooking appliances and selling and marketing of all kinds of durable home appliances.

The Group aims to reach a substantial market share in Sub-Saharan Africa with this acquisition that will contribute to the Group's goals to grow in emerging markets. The amount transferred for the acquisition includes; the synergy that will be created, revenue increase, the future benefits to be obtained as a result of growth in market and labor force. These benefits are not recorded apart from goodwill because they do not meet identifiable asset criteria. Since the acquisition includes transfer of control, goodwill is recognized during the acquisition.

Total sales consideration and the fair value of assets and liabilities acquired at the date of acquisition are summarized as follows:

Consideration in cash	351,854
Consideration paid against the payables to former shareholders	150,096
Contingent consideration	2,698
Total consideration transferred	**504,648**
The effect of cash flow hedges-the effective portion	20,965
Total consideration	**525,613**

The fair value amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	20,515
Derivative financial instruments	974
Trade receivables	131,493
Inventories	88,179
Other assets	971
Tangible assets	51,716
Intangible assets (brand)	230,046
Deferred tax assets	96
Trade payables and other payables	(71,074)
Tax provision and other provisions	(19,517)
Other liabilities	(18,832)
Provisions for employment termination benefits	(433)
Deferred tax liabilities	(67,916)
Total fair value of identifiable net assets	**346,218**
Goodwill	179,395
Total consideration	**525,613**

In the consolidated income statement, contribution to consolidated sales by Defy Group after the date of acquisition is TRY 62,641. In the same period, excluding the effects of inter-company sales profitability, the contribution by Defy Group to consolidated net profit of Arçelik Group amounts to TRY 570.

Had the financial statements of Defy Group been consolidated since January 1, 2011, the consolidated sales of Arçelik Group would have been TRY 9,047,702.

As of December 31, 2011, the total amount of acquisition costs, which is included in the general and administrative expenses, is TRY 6,498.

The details of cash outflow due to acquisition are as follows:

Total consideration in cash	522,915
Cash and cash equivalents –acquired	(20,515)
Cash outflow due to acquisition of subsidiary (net)	**502,400**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING

The reportable segments of Arçelik have been organised by management into white goods and consumer electronics. White goods reportable segment comprises washing machines, dryers, dish washers, refrigerators, ovens, cookers and the services provided for these products. The consumer goods reportable segment comprises televisions primarily with flat screens, computers, cash registers, other electronic devices, and the services provided to consumers for these products. Other sales comprise the revenues from air conditioners, home appliances, and furniture and kitchen gadgets except products included in white goods and consumer electronics.

Accounting policies applied by each operational segment of Arçelik are the same as those are applied in Arçelik's consolidated financial statements prepared in accordance with CMB Financial Reporting Standards.

Arçelik's reportable segments are strategic business units that present various products and services. Each of these segments is administrated separately due to the necessity of different technologies and marketing strategies.

Gross profitability is evaluated regarding the performance of the operational segments. Information about the operational segments is as follows:

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2011 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	5,560,182	1,451,332	1,425,725	8,437,239
Gross profit	1,829,914	320,510	389,806	2,540,230
Depreciation and amortisation	172,483	41,004	8,856	222,343
Capital expenditures	316,749	37,275	10,002	364,026
Income from associates	-	-	28,378	28,378

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2010 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	4,391,627	1,255,580	1,289,213	6,936,420
Gross profit	1,587,447	261,772	218,728	2,067,947
Depreciation and amortisation	144,448	44,312	7,890	196,650
Capital expenditures	214,630	32,618	6,229	253,477
Income from associates	-	-	11,907	11,907

c) Sales revenue that are grouped geographically for the years ended in December 31, 2011 and 2010 are shown below:

2011	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,976,915	3,336,787	1,123,537	8,437,239
Income from associates	28,378	-	-	28,378

2010	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,417,766	2,669,718	848,936	6,936,420
Income from associates	11,907	-	-	11,907

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Cash in hand	309	328
Cash at banks		
- demand deposits	90,986	52,587
- time deposits	1,040,416	1,229,706
Cheques and notes	38,044	29,914
Other	2,907	540
Cash and cash equivalents in cash flow statement	**1,172,662**	**1,313,075**
Interest income accruals	1,227	4,091
	1,173,889	**1,317,166**

The maturity breakdown of cash and cash equivalents is as follows:

Up to 30 days	839,628	887,270
30-90 days	334,261	429,896
	1,173,889	**1,317,166**

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31, 2011		December 31,2010	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	489,888	3.98	657,168
Other		1,488		1,511
		491,376		**658,679**

The details of financial investments for the year ended as of 31 December is as follows:

	2011	2010
As of January 1	**658,679**	**395,814**
Fair value gains/(losses)	(167,280)	262,865
Sale of financial asset	(23)	-
As of December 31	**491,376**	**658,679**

The unrealized loss/gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY 158, 916 (December 31, 2010: TRY 249,722), net of deferred tax effect amounting to TRY 8,364 (December 31, 2010: TRY 13,143) have been recognized in consolidated shareholders' equity under the "revaluation reserves" in the year ended at December 31, 2011.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A.Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81,80%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, US Dollar based discount rate of 15.4 % has been taken into consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	December 31, 2011	December 31, 2010
Short-term bank borrowings	1,078,206	599,098
Short-term portion of long-term bank borrowings	550,554	239,738
Other	183	384
	1,628,943	**839,220**

As of December 31, 2011, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	13.0	-	26,710
EUR	2.1	388,022,169	948,245
RUB	7.3	1,564,499,204	90,976
CNY	6.0	35,056,933	10,570
USD	0.4	887,118	1,676
RON	6.3	52,422	29
			1,078,206

As of December 31, 2010, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	-	-	11,574
EUR	1.8	267,733,921	548,614
RUB	7.3	578,733,822	29,070
CNY	4.5	40,049,800	9,365
RON	3.6	614,033	291
USD	1.0	119,278	184
			599,098

b) Long-term financial liabilities

	December 31, 2011	December 31, 2010
Long-term bank borrowings	1,528,130	1,218,002
Other	107	70
	1,528,237	**1,218,072**

As of December 31, 2011, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY Equivalent
TRY	11.6	-	505,254
EUR	3.7	419,908,838	1,026,175
USD	2.2	127,356,398	240,563
ZAR	7.2	684,257,945	160,246
GBP	3.2	50,204,425	146,446
			2,078,684
Less: Short-term portion			(550,554)
			1,528,130

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2010, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	8.3	-	503,404
EUR	2.7	308,180,043	631,492
USD	2.3	100,312,500	155,083
GBP	2.9	50,191,264	119,887
RUB	6.3	953,094,699	47,874
			1,457,740
Less: Short-term portion			(239,738)
			1,218,002

The redemption schedule of the long-term bank borrowings is as follows:

	December 31, 2011	December 31, 2010
2012	-	489,062
2013	1,039,370	728,940
2014	488,760	-
	1,528,130	**1,218,002**

The analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

Up to 6 months	3,156,890	1,929,393
6 - 12 months	-	127,445
	3,156,890	**2,056,838**

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,2011			December 31,2010		
	Contract amount	Fair value Assets	(Liabilities)	Contract amount	Fair value Assets	(Liabilities)
Held for trading:						
Forward transactions	400,607	2,364	(134)	217,977	817	(207)
Foreign currency swap contracts	294,270	568	(61)	71,440	29	(32)
Held for hedging:						
Commodity swap contracts	-	-	-	1,414	339	-
	694,877	**2,932**	**(195)**	**290,831**	**1,185**	**(239)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2011	December 31,2010
Short-term trade receivables		
Trade receivables	1,864,092	1,381,506
Notes receivables	1,241,891	961,075
Cheques receivables	165,888	128,754
Due from related parties (Note 31)	23,402	22,869
Short-term trade receivables (gross)	**3,295,273**	**2,494,204**
Less: Provision for doubtful receivables	(93,579)	(110,611)
Less: Unearned credit finance income	(20,824)	(59,015)
Short-term trade receivables (net)	**3,180,870**	**2,324,578**

The movements of provision for doubtful receivables for the year ended December 31, are as follows:

	2011	2010
As of January 1	**110,611**	**107,312**
Current year additions (Note 26)	23,326	19,882
Provisions no longer required (Note 26)	(1,808)	(8,306)
Write-offs (*)	(46,328)	(8,847)
Acquisition of subsidiary (Note 3)	241	-
Currency translation differences	7,537	210
As of December 31	**93,579**	**110,611**

(*) Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow are expected, are written off from the records along with the related provisions.

	December 31, 2011	December 31, 2010
Long-term trade receivables		
Trade receivables	16,018	12,461
	16,018	**12,461**
Short-term trade payables		
Trade payables	1,127,816	787,755
Due to related parties (Note 31)	133,283	186,003
Unearned credit finance charges	(11,568)	(4,796)
	1,249,531	**968,962**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10 - OTHER PAYABLES

	December 31, 2011	December 31, 2010
Other payables		
Taxes and duties payable	122,096	81,002
Payables to personnel	51,655	38,768
Deposits and guarantees received	6,243	6,140
Other	3,697	3,600
	183,691	**129,530**

NOTE 11 - INVENTORIES

	December 31, 2011	December 31, 2010
Raw materials and supplies	783,785	560,738
Work in progress	49,382	37,861
Finished goods	576,128	346,418
Trade goods	184,157	115,087
Inventories (gross)	**1,593,452**	**1,060,104**
Less: Provision for impairment on inventories	(63,311)	(72,578)
Inventories (net)	**1,530,141**	**987,526**

There are no inventories pledged as security for liabilities (December 31, 2010: None).

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2011	December 31, 2010
Raw materials and supplies	55,059	63,734
Finished goods	5,698	6,442
Trade goods	2,554	2,402
	63,311	**72,578**

The movements of provision for impairment on inventories for the years ended December 31, are as follows:

	2011	2010
As of January 1	**72,578**	**98,339**
Current year additions (Note 26)	2,182	5,909
Realised due to sales of inventory	(13,822)	(29,663)
Acquisition of subsidiary	802	-
Currency translation differences	1,571	(2,007)
As of December 31	**63,311**	**72,578**

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NOTE 12 - ASSOCIATES

	December 31, 2011		December 31, 2010	
	%	**TRY**	**%**	**TRY**
Koç Tüketici Finans	47.0	74,287	47.0	62,787
Arçelik-LG	45.0	67,296	45.0	58,778
Ram Dış Ticaret	33.5	13,026	33.5	10,358
Tanı Pazarlama	32.0	5,971	32.0	4,681
		160,580		**136,604**

The movements of associates for the years ended December 31, are as follows:

	2011	2010
As of January 1	**136,604**	**129,169**
Share of income/(loss)	28,378	11,907
Share of other comprehensive income	1,151	-
Dividends received	(5,553)	(4,472)
As of December 31	**160,580**	**136,604**

Share of income/(loss) of associates

	2011	2010
Koç Tüketici Finans	15,048	6,954
Arçelik-LG	8,518	852
Ram Dış Ticaret	3,522	3,488
Tanı Pazarlama	1,290	613
	28,378	**11,907**

Aggregated summary figures of the financial statements of associates

	2011	2010
Total assets	1,996,446	1,773,383
Total liabilities	1,631,776	1,463,626
Sales revenues	1,694,374	1,158,449
Net income/(loss) for the year	65,490	29,016

NOTE 13 - INVESTMENT PROPERTIES

	2011	2010
As of January 1		
Cost	11,441	12,711
Accumulated depreciation	(5,961)	(6,367)
Net book value	**5,480**	**6,344**
Net book value at the beginning of the year	**5,480**	**6,344**
Disposals	-	(412)
Currency translation differences	1,105	(328)
Current year depreciation	(144)	(124)
Net book value at the end of the year	**6,441**	**5,480**
As of December 31		
Cost	13,754	11,441
Accumulated depreciation	(7,313)	(5,961)
Net book value	**6,441**	**5,480**

As of December 31, 2011, the carrying values of investment properties represent their fair values.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Transfers	Currency translation differences	December 31, 2011
Cost							
Land	15,628	-	698	(2,464)	532	646	15,040
Land improvements	29,903	-	471	-	2,530	-	32,904
Buildings	505,318	24,352	3,942	(1,837)	1,791	27,761	561,327
Machinery, equipment and moulds	2,589,939	20,675	48,270	(72,097)	170,697	47,383	2,804,867
Motor vehicles and fixtures	225,687	4,152	19,743	(4,644)	21,814	6,317	273,069
Leasehold improvements	37,123	47	2,438	-	-	882	40,490
Construction in progress	6,942	2,490	203,139	-	(197,364)	759	15,966
	3,410,540	**51,716**	**278,701**	**(81,042)**	**-**	**83,748**	**3,743,663**
Accumulated depreciation							
Land improvements	(16,471)	-	(1,447)	-	-	-	(17,918)
Buildings	(160,584)	-	(11,559)	335	-	(5,345)	(177,153)
Machinery, equipment and moulds	(1,782,550)	-	(141,197)	68,273	-	(25,050)	(1,880,524)
Motor vehicles and fixtures	(166,169)	-	(19,968)	3,917	-	(4,284)	(186,504)
Leasehold improvements	(32,521)	-	(1,832)	-	-	(370)	(34,723)
	(2,158,295)	**-**	**(176,003)**	**72,525**	**-**	**(35,049)**	**(2,296,822)**
Net book value	**1,252,245**						**1,446,841**

There is no mortgage on property, plant and equipment as of December 31, 2011 (December 31, 2010 - nil).

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost						
Land	16,254	34	(461)	-	(199)	15,628
Land improvements	28,360	1,571	(28)	-	-	29,903
Buildings	521,666	938	(22,673)	6,472	(1,085)	505,318
Machinery, equipment and moulds	2,523,068	25,025	(71,189)	117,425	(4,390)	2,589,939
Motor vehicles and fixtures	205,439	23,896	(4,108)	1,614	(1,154)	225,687
Leasehold improvements	33,422	3,819	(83)	-	(35)	37,123
Construction in progress	4,348	128,339	(99)	(125,511)	(135)	6,942
	3,332,557	**183,622**	**(98,641)**	**-**	**(6,998)**	**3,410,540**
Accumulated depreciation						
Land improvements	(15,199)	(1,300)	28	-	-	(16,471)
Buildings	(163,650)	(11,138)	13,136	-	1,068	(160,584)
Machinery, equipment and moulds	(1,723,570)	(128,879)	65,656	-	4,243	(1,782,550)
Motor vehicles and fixtures	(156,586)	(13,918)	3,709	-	626	(166,169)
Leasehold improvements	(29,443)	(3,129)	44	-	7	(32,521)
	(2,008,448)	**(158,364)**	**82,573**	**-**	**5,944**	**(2,158,295)**
Net book value	**1,244,109**					**1,252,245**

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NOTE 15 - INTANGIBLE ASSETS

	January 1, 2011	Acquisition of subsidiary	Additions	Disposals	Currency translation differences	December 31, 2011
Cost:						
Brands	268,489	230,046	-	-	49,915	548,450
Development costs	222,802	-	73,115	-	-	295,917
Computer software and rights	83,475	-	12,210	(16)	2,471	98,140
Trademark licences and patents	14,923	-	-	(159)	2,856	17,620
	589,689	**230,046**	**85,325**	**(175)**	**55,242**	**960,127**
Accumulated amortization:						
Development costs	(61,190)	-	(35,844)	-	-	(97,034)
Computer software and rights	(58,850)	-	(7,010)	13	(978)	(66,825)
Trademark licences and patents	(8,232)	-	(3,342)	159	(1,759)	(13,174)
	(128,272)	**-**	**(46,196)**	**172**	**(2,737)**	**(177,033)**
Net book value	**461,417**					**783,094**

	January 1, 2010	Additions	Disposals	Currency translation differences	December 31, 2010
Cost:					
Brands	278,159	-	-	(9,670)	268,489
Development costs	162,808	59,994	-	-	222,802
Computer software and rights	75,377	9,861	(1,605)	(158)	83,475
Trademark licences and patents	15,728	-	-	(805)	14,923
	532,072	**69,855**	**(1,605)**	**(10,633)**	**589,689**
Accumulated amortization:					
Development costs	(31,869)	(29,321)	-	-	(61,190)
Computer software and rights	(54,668)	(5,952)	1,570	200	(58,850)
Trademark licences and patents	(5,542)	(2,889)	-	199	(8,232)
	(92,079)	(38,162)	1,570	399	(128,272)
Net book value	**439,993**				**461,417**

Brands impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2011. Sales forecasts which are based on financial plans approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 2.5% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method has been discounted with 9% to 11% discount rates.

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NOTE 16 – GOODWILL

	2011	2010
As of January 1	**7,190**	**7,511**
Acquisition of subsidiary (Note 3)	179,395	-
Effect of the change in contingent liabilities arising from acquisition of subsidiary (*)	(1,596)	(108)
Currency translation differences	11,178	(213)
As of December 31	**196,167**	**7,190**

(*) Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3 which is effective for the business combinations performed before January 1, 2010.

Goodwill impairment test

As of December 31, 2011, the carrying value of goodwill was tested for impairment by comparison with its recoverable amount. The recoverable amount was determined on the basis of value in use calculations. Pre-tax cash flow projections based on financial plans approved by the board of directors covering a five-year period were used in these calculations. Pre-tax cash flow projections beyond five-year period are extrapolated by 2.5% expected growth rates. The estimated cash flows are discounted to their present values with 9% before tax ratio.

NOTE 17 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Exemption of taxes and funds,
g) Discounted corporate tax incentive,
h) Insurance premium employer share incentive.
i) Brand support incentive given by Undersecretariat of Turkey Prime Ministry for Foreign Trade (known as "Turquality").

Grants which are accounted for under other income are as follows:

i) Research and development incentive premiums taken or certain to be taken from Tübitak-Teydep amounts to TRY 2,065 for year ended December 31, 2011 (2010: TRY 5,953).
ii) Donation received related to European Union 7th Framework Programme amounts to TRY 825 (2010: TRY 135).
iii) Brand support incentive received from Undersecretariat of Turkey Prime Ministry for Foreign Trade (known as "Turquality") amounts to TRY 15,657 for the year ended December 31, 2011 (2010: TRY 23,349).

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NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments are as follows:

	December 31, 2011	December 31, 2010
Operational lease commitments	59,057	41,869

Future minimum rentals payable under non-cancellable operating lease are as follows:

Up to 1 year	14,330	10,972
1-5 years	25,651	13,928
Over 5 years	19,076	16,969
	59,057	**41,869**

The Company has export commitment of USD 1,244,265,732 in scope of export incentive as of December 31, 2011 (December 31, 2010: USD 480,534,762).

Derivative Financial Instruments

TRY equivalents of the Group's foreign exchange purchase and sales commitments arising from the derivative contracts in terms of currencies as of December 31, 2011 and 2010 are as follows:

December 31, 2011	Purchase commitments	Sales commitments
EUR	79,772	19,550
TRY	-	38,916
USD	250,916	5,899
GBP	-	102,096
PLN	-	26,507
RUB	5,815	95,948
RON	12,273	-
SEK	-	39,470
ZAR	-	17,715
	348,776	**346,101**

December 31, 2010	Purchase commitments	Sales commitments
EUR	93,903	3,396
TRY	23,930	11,830
USD	23,768	-
GBP	-	83,601
PLN	2,691	12,935
RUB	713	32,650
	145,005	**144,412**

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NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	December 31, 2011	December 31, 2010
Collaterals obtained	1,989,719	1,887,230

Collaterals, pledges and mortgages ("CPM's") given by the Group as of December 31, 2011 and 2010 are as follows:

CPM's given by the company	December 31, 2011	December 31, 2010
A. CPM's given on behalf of own corporate entities	177,329	110,512
B. CPM's given on behalf of fully consolidated subsidiaries	14,167	11,595
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C. (Group Companies which are not in scope B-C and D.i)	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
Total	**191,496**	**122,107**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31, 2011 and 2010:

CPM's given	December 31, 2011	December 31, 2010
USD	130,297	82,777
TRY	32,248	16,806
EUR	26,857	21,747
Other	2,094	777
	191,496	**122,107**

NOTE 19 - PROVISIONS

	December 31, 2011	December 31, 2010
Short-term provisions		
Warranty provision	128,996	111,890
Assembly provision	44,605	38,774
Provision for transportation cost	9,250	7,591
Provision for lawsuit risks	8,021	9,018
Provision for returns	6,756	6,235
Other	34,762	31,652
	232,390	**205,160**
Long-term provisions		
Warranty provision	79,761	56,682
Other	1,758	1,454
	81,519	**58,136**

The movements of warranty and assembly provisions for the year ended December 31, 2011 are as follows:

	Warranty provision	Assembly provision
As of January 1	**168,572**	**38,774**
Additions	218,049	168,117
Disposals	(200,717)	(162,286)
Acquisition of subsidiary	8,175	-
Currency translation differences	14,678	-
As of December 31	**208,757**	**44,605**

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NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of full TRY 2,731.85 (December 31, 2010: full TRY 2,571.01) for each period of service at December 31, 2011.

The liability is not funded, as there is no funding requirement.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2011	2010
Net discount rate (%)	4.63	4.66
Turnover rate related the probability of retirement (%)	97	98

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 2,805.04 (January 1, 2011: full TRY 2,623.23) which is effective from January 1, 2012 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits are as follows:

	2011	2010
As of January 1	**99,700**	**85,335**
Interest expense	4,645	4,916
Actuarial losses	6,002	3,168
Acquisition of subsidiary (Note 3)	433	-
Increase during the year	11,180	18,274
Payments during the year	(15,757)	(11,862)
Currency translation differences	579	(131)
As of December 31	**106,782**	**99,700**

There are defined benefits having the attributes of employment termination benefits in the foreign subsidiaries of the company. The geographical distribution of provision for employment termination benefits is as follows:

Turkey	103,161	96,606
Non - Turkey	3,621	3,094
	106,782	**99,700**

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NOTE 21 - OTHER ASSETS AND LIABILITIES

	December 31, 2011	December 31, 2010
Other current assets		
Taxes and funds deductible	59,136	29,920
Prepaid taxes and funds	24,855	12,393
Value Added Tax and Private Consumption Tax receivables	24,811	21,709
Prepaid expenses	15,988	16,079
Assets obtained as loan/receivable collateral	7,021	6,433
Advances given for fixed assets	4,480	2,149
Order advances given	1,530	16,222
Other	8,196	13,079
	146,017	**117,984**

Other current liabilities		
Accruals for customer premiums	115,406	47,781
Advances received	47,483	71,620
Accruals for license fee expenses	19,121	20,028
Accruals for sales and marketing expenses	11,234	19,347
Accruals for bonuses and premiums	7,057	6,474
Accruals for advertising expenses	6,166	11,100
Liabilities attributable to the acquisition of subsidiary	2,676	1,669
Other	3,477	1,889
	212,620	**179,908**

NOTE 22 - EQUITY

Paid-in capital

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. Registered and issued share capital of the Company is as follows:

	December 31, 2011	December 31, 2010
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

Companies in Turkey may exceed the limit on registered share capital in the event of the issuance of bonus shares to existing shareholders.

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NOTE 22 – EQUITY (Continued)

The shareholding structure of the Company is as follows:

	December 31, 2011		December 31, 2010	
	Share%	Amount	Share %	Amount
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Temel Ticaret ve Yatırım A.Ş.	2.75	18,577	2.75	18,577
Semahat S.Arsel	2.72	18,397	2.72	18,397
Suna Kıraç	2.60	17,542	2.60	17,542
Rahmi M.Koç	2.44	16,474	2.44	16,474
Mustafa V.Koç	0.91	6,177	0.91	6,177
Total Koç Family members and companies owned by Koç Family members	**51.93**	**350,909**	**51.93**	**350,909**
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Burla Ticaret ve Yatırım A.Ş.	5.56	37,572	5.56	37,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Vehbi Koç Vakfı	0.13	893	0.13	893
Other	25.19	170,204	25.19	170,204
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

All of the shareholders of the Company have equal rights and there are no preference shares outstanding.

Contribution to shareholders' equity related to the merger

It is related to merger with Grundig Elektronik A.Ş. dated June 30, 2009.

Revaluation fund

Increases/decreases in carrying amounts resulted from revaluations recognized directly in the equity are followed in the funds described below:

	December 31, 2011	December 31, 2010
Financial assets fair value difference	328,795	487,711
Non-current assets fair value difference	68,660	33,724
Foreign currency hedge of net investments in foreign operations	(57,101)	(9,737)
Cash flow hedges	1,151	271
Revaluation fund total	**341,505**	**511,969**

Restricted reserves

The Turkish Commercial Code ("TCC") stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In addition, according to exemption for sale of participation shares and property, a 75% portion of corporations' profits arising from such sales are not withdrawn within five years and are followed in special reserves.

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NOTE 22 – EQUITY (Continued)

The details of these restricted reserves are as follows:

	December 31, 2011	December 31, 2010
Legal reserves	185,902	164,281
Contribution to shareholders equity due to merger	4,040	4,040
Special reserves	124	124
	190,066	**168,445**

The Company paid a cash dividend at the rate of 37.0%, which corresponds to full TRY 0.36997 gross and net cash dividend for the shares with a nominal value of full TRY 1.00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 37.0%, which corresponds to full TRY 0.36997 gross and full TRY 0.31449 net cash dividend for the shares with a nominal value of full TRY 1.00 to other shareholders in March, 2011.

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in capital" and not been transferred to capital yet, shall be classified under the "Inflation adjustment to share capital";

- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount that has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained earnings".

Dividend distribution

Listed companies are subject to dividend requirements regulated by CMB as follows:

In accordance with the CMB Decision No. 02/51 and dated January 27, 2010, concerning allocation basis of profit from operations of 2010, minimum profit distribution will not be applied for the listed companies for the year 2009. In accordance with Board's Decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, companies which are required to prepare consolidated financial statements are allowed to calculate, the distributable profit based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29, as long as the amount can be met from the resources in their statutory books.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The remainder of current year income and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY 726,671 (December 31, 2010: TRY 855,740)

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NOTE 23 - SALES AND COST OF SALES

	2011	2010
Domestic sales	4,125,234	3,547,277
Foreign sales	4,913,727	3,841,715
Gross sales	**9,038,961**	**7,388,992**
Less: Discounts	(601,722)	(452,572)
Net sales	**8,437,239**	**6,936,420**
Cost of sales	(5,897,009)	(4,868,473)
Gross profit	**2,540,230**	**2,067,947**

NOTE 24 -RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING, AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2011	2010
Marketing, selling and distribution expenses:		
Transportation, distribution and storage expenses	399,323	308,721
Warranty and assembly expenses	386,166	316,379
Advertising and promotion expenses	281,013	218,486
Personnel expenses	216,154	176,700
License expenses	21,237	9,471
Depreciation and amortisation expenses	11,894	8,739
Energy expenses	5,988	5,633
Other	152,479	117,360
	1,474,254	**1,161,489**
General administrative expenses:		
Personnel expenses	164,143	141,452
Insurance expenses	25,333	21,949
Legal consultancy and audit expenses	22,913	10,322
Depreciation and amortisation expenses	22,245	18.418
Information technology expenses	20,311	10,905
Rent expenses	10,314	7,896
Donations	8,136	9,451
Duties, taxes and levies	8,206	7,304
Repair and maintenance expense	4,938	4,061
Energy expenses	4,331	3,381
Other	51,702	45,224
	342,572	**280,363**
Research and development expenses (*):		
Depreciation and amortisation expenses	36,803	32,599
Personnel expenses	19,313	14,044
Other	8,731	13,877
	64,847	**60,520**

(*) Total research and development expenditures in the year, including development costs capitalized, were realized as TRY 102,118 in 2011 (2010: TRY 91,192).

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NOTE 25 - EXPENSES BY NATURE

	2011	2010
Raw materials, supplies and trade goods	5,459,496	4,254,118
Changes in finished goods, work in process and trade goods	(310,301)	(14,298)
Personnel expenses	824,170	706,386
Transportation, distribution and storage expenses	440,058	320,577
Warranty and assembly expenses	386,166	316,379
Advertising and promotion expenses	281,013	218,486
Depreciation and amortisation expenses	217,834	192,538
Energy expenses	70,335	59,327
Repair and maintenance expenses	51,725	43,908
License expenses	21,237	10,937
Other	336,949	262,487
	7,778,682	**6,370,845**

NOTE 26 - OTHER INCOME AND EXPENSES

	2011	2010
Other operating income		
Income from claims and grants	29,719	44,847
Reversal of provisions	12,228	10,198
Income from sales of property, plant and equipment (**)	2,631	42.431
Reversal of provisions for doubtful receivables	1,808	8,306
Other	13,808	24,634
	60,194	**130,416**

	2011	2010
Other operating expenses		
Product recall expenses (*)	(30,459)	-
Provision expense for doubtful receivables	(23,326)	(19,882)
Loss from sales of property, plant and equipment	(3,674)	(5,121)
Provision expense for impairment on inventories	(2,182)	(5,909)
Other	(13,216)	(27,429)
	(72,857)	**(58,341)**

(*) Product recall expenses includes expenses of voluntary recall process in 2011, which started to rectify potential problems, arising from a limited number of refrigerator models sold between the years of 2000-2006 in England and Ireland with expired warranties. Although, these models had been subject to independent safety tests and all UK and European safety standards had been met before the sales, as a responsible manufacturer who gives importance to product safety, required modifications were met free of charge with the aim to remove the potential risks.

(**) In 2010, the Group realized gain on sales of factory land, buildings and annexes located in Topkapı, Istanbul to Koç University amounting to TRY40,055 (Note 31).

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NOTE 27 - FINANCIAL INCOME

	2011	2010
Foreign exchange gains	292,123	124,310
Credit finance income	59,582	90,064
Interest income	35,572	39,080
Gains on derivative financial instruments	28,175	33,248
Other	106	344
	415,558	**287,046**

NOTE 28 - FINANCIAL EXPENSES

	2011	2010
Foreign exchange losses	(311,756)	(120,302)
Interest expenses	(103,530)	(101,071)
Losses on derivative financial instruments	(19,816)	(15,191)
Cash discounts expenses	(18,262)	(13,600)
Credit finance charges	(9,576)	(25,424)
Other	(11,481)	(4,377)
	(474,421)	**(279,965)**

NOTE 29 - TAX ASSETS AND LIABILITIES

	December 31, 2011	December 31, 2010
Corporation and income taxes	61,483	82,688
Less: prepaid tax	(38,233)	(63,718)
Current income tax liabilities (net)	**23,250**	**18,970**
Deferred tax assets	63,387	39,244
Deferred tax liabilities	(226,142)	(128,549)
Deferred tax liabilities, (net)	**(162,755)**	**(89,305)**

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The corporation tax rate is 20% in Turkey (31 December 2010: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

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NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years ended at December 31 are summarised as follows:

	2011	2010
Tax expenses		
- Current period tax expense	(71,996)	(83,492)
- Deferred tax expense	(2,326)	(23,899)
Tax expenses (net)	**(74,322)**	**(107,391)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2011	**2010**	**2011**	**2010**
Property, plant and equipment and intangible assets	1,148,784	755,046	(257,693)	(158,277)
Available-for-sale investments	346,102	513,381	(17,305)	(25,669)
Unearned credit finance income/expense (net)	41,353	(15,302)	(8,271)	3,032
Derivative financial instruments	2,308	946	(462)	(189)
Unused tax credits	(178,166)	(91,109)	42,150	18,223
Provision for warranty and assembly expense	(166,353)	(146,672)	33,158	29,014
Provision for employment termination benefits	(103,621)	(96,635)	20,761	19,327
Provision for impairment on inventories	(57,077)	(64,941)	11,467	12,996
Provision for doubtful receivables	(12,967)	(6,796)	2,266	1,215
Accrual for licenses	(7,322)	(20,028)	1,464	4,006
Other	(38.940)	(31,271)	9,710	7,017
Deferred tax liabilities (net)			**(162,755)**	**(89,305)**

	2011	2010
As of January 1	**(89,305)**	**(53,692)**
Tax expense recognized in income statement	(2,326)	(23,899)
Tax recognized directly in the shareholders' equity	8,787	(12,848)
Acquisition of subsidiary (Note 3)	(67,820)	-
Currency translation differences	(12,091)	1,134
As of December 31	**(162,755)**	**(89,305)**

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NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

Group's total deductible loss and tax advantages of which deferred tax assets have not been calculated are TRY 425,927. Maturity analysis of this amount is as follows:

	December 31, 2011
2012	10,390
2013	9,286
2014	27,919
2015	76,497
2016 and after	301,835
	425,927

Reconciliation between tax expenses for the years ended December 31, 2011 and 2010 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2011	2010
Profit before tax	615,409	656,638
Tax expense calculated using 20% local tax rate	**(123,082)**	**(131,328)**
Exemptions	28,079	40,208
Effect of unused tax losses for which no deferred tax asset was recognized	(3,834)	(8,494)
Expenses not deductable for tax purposes	(12,135)	(12,661)
Impact of different tax rates in other countries	(7,924)	(6,059)
Adjustments with no tax effects	22,838	6,472
Utilization of previously unrecognized tax losses	21,854	4,338
Other	(118)	133
Taxation expense recognized in income statement	**(74,322)**	**(107,391)**
Effective tax rate	**12.1%**	**16.4%**

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NOTE 30 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year.

The Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. In earnings per share calculation, this bonus share issuance is accepted as shares issued. Hence, weighted average stock share, which is used in the calculation of earnings per share, is acquired by retrospective application of bonus share issue.

Earnings per share and dividends paid in terms of share groups are as follows:

	December 31, 2011	December 31, 2010
Net income attributable to the equity holders of the parent	506,506	517,093
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	**0.750**	**0.765**
Dividends distributed to the equity holders of the parent	250,000	100,000
Gross dividend distributed per share (*)	**0.370**	**0.148**

(*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

(a) Due from related parties	December 31, 2011	December 31,2010
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	16,876	10,153
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,286	-
Tanı Pazarlama	-	12,559
Other	1,240	157
	23,402	**22,869**

(b) Due to related parties

Short-term

Zer Merkezi Hizmetler ve Ticaret A.Ş.	88,065	63,454
Ram Dış Ticaret	19,139	10,892
Arçelik-LG	15,955	105,054
Other	10,124	6,603
	133,283	**186,003**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	December 31, 2011	December 31,2010
Long-term		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	70,539	63,681
	70,539	**63,681**

(*) In January 2001, a contract was signed regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products for the following 20 years, between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.). Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. The long term payables to related parties include the principal amount of the payables in USD, which will be paid until 2020, in exchange of the value determined and recognized as intangible asset.

(c) Deposits

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	430,733	473,926
	430,733	**473,926**

(d) Bank borrowings

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	446,220	259,851
	446,220	**259,851**

e) Derivative financial instruments

December 31, 2011	**Contract amount**	**Fair value assets/(liabilities)**	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	210,069	920	-
	210,069	**920**	**-**

December 31, 2010	**Contract amount**	**Fair value assets/(liabilities)**	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	119,452	270	(32)
	119,452	**270**	**(32)**

(ii) Transactions with related parties

(a) Sales of goods and services

	2011	2010
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	70,300	57,671
Zer Merkezi Hizmetler ve Ticaret A.Ş.	55,188	42,699
Koçtaş Yapı Marketleri Ticaret A.Ş.	27,430	19,460
Arçelik-LG	16,543	31,155
Other	15,471	15,722
	184,932	**166,707**

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NOTE 31 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(b) Purchases of goods and services

	2011	2010
Zer Merkezi Hizmetler ve Ticaret A.Ş.	502,301	409,024
Arçelik-LG	356,423	295,783
Ram Dış Ticaret	81,865	35,555
Ram Sigorta Aracılık Hizmetleri A.Ş.	20,893	17,828
Setur Servis Turistik A.Ş.	16,749	12,655
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	21,487	19,713
Other	65,497	54,412
	1,065,215	**844,970**

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. The average payment term is around sixty days.

The Group purchases air conditioners, produced by Arçelik-LG. Purchasing conditions are determined in line with the due dates periods and rates pertaining to trade receivables from third parties.

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the year ended December 31, 2011 amounts to TRY 37,815 (December 31,2010: TRY 32,207). The compensation includes only short-term benefits.

(d) Other transactions

	2011	2010
Income from sale of tangible assets	-	40,055
Interest income:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	12,064	7,956
Interest expense:		
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	8,316	5,064

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Hedging operations and derivative financial instruments

Liquidity Risk

The Group eliminates the risk of failure to settle its financial and commercial liabilities by managing the balance sheet according to expected cash flows.

In this context, the maturities of the financial liabilities are arranged according to the maturities of assets, and a mismatch between the maturities is eliminated. There is a level of "acid-test" ratio to manage the consolidated and stand alone balance sheets followed by the Group Companies' managements.

Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2011 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	3,157,180	3,342,152	834,592	894,028	1,613,532	-
Trade payables	1,320,070	1,347,799	1,245,008	16,090	43,634	43,067
Other payables	61,595	61,595	54,568	7,027	-	-
Other liabilities	214,893	214,893	206,720	5,900	2,273	-
	4,753,738	**4,966,439**	**2,340,888**	**923,045**	**1,659,439**	**43,067**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		(348,805)	(348,805)	-	-	-
Derivative cash outflows		(346,068)	(346,068)	-	-	-
Derivative instruments, net	**2,737**	**2,737**	**2,737**	**-**	**-**	**-**

Group's maturity analysis of financial liabilities as of December 31, 2010 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	2,057,292	2,183,694	554,980	345,562	1,283,152	-
Trade payables	1,032,643	1,053,686	927,094	46,664	35,867	44,061
Other payables	48,508	48,508	43,938	4,570	-	-
Other liabilities	183,806	183,806	168,332	11,576	3,898	-
	3,322,249	**3,469,694**	**1,694,344**	**408,372**	**1,322,917**	**44,061**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		146,434	146,434	-	-	-
Derivative cash outflows		(145,488)	(145,488)	-	-	-
Derivative instruments, net	**946**	**946**	**946**	**-**	**-**	**-**

(*) Undiscounted contractual cash flows

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates is crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/ floating interest", "short-term/ long-term", "TRY/ foreign currency" balance should be structured consistent within and with assets in the balance sheet.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Average effective annual interest rates of balance sheet items as of December 31, 2011 and 2010 are as follows:

December 31, 2011 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY	ZAR	PLN	CZK
Current Asset										
Cash and cash equivalents	-	1.82	1.86	0.21	4.69	-	2.12	5.00	4.12	0.37
Trade receivable	5.28	-	-	-	-	-	-	-	-	-
Current Liabilities										
Financial liabilities	13.0	2.08	0.40	-	6.34	7.32	6.03	-	-	-
Trade payables	9.94	-	-	-	-	-	-	-	-	-
Non-Current Liabilities										
Financial liabilities	11.6	3.69	2.24	3.20	-	-	-	7.18	-	-

December 31, 2010 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY
Current assets							
Cash and cash equivalents	9. 04	1. 58	3. 13	0. 31	2. 64	2. 21	1. 05
Trade receivables	20. 40	0. 82	0. 82	5. 00	-	-	-
Current liabilities							
Financial liabilities	-	1. 80	0. 98	-	3. 55	7. 25	4. 48
Trade payables	6. 32	0. 48	0. 48	3. 10	-	-	-
Non-current liabilities							
Financial liabilities	8. 30	2. 69	2. 25	2. 93	-	6. 26	-

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	December 31, 2011	December 31, 2010
Financial instruments with fixed interest rates		
Time deposits	436,144	815,695
Financial liabilities	696,887	414,934
Financial instruments with variable interest rates		
Time deposits	605,499	418,102
Financial liabilities	2,460,004	1,641,904

At December 31, 2011, if interest rates of all foreign currency denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY 18,545 (2010: TRY 12,238) lower/ higher as a result of interest expenses.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

The Group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes.

In credit risk control, for the customers which are not secured with collaterals, the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance and the utilisation of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

Details of credit and receivable risk as of December 31, 2011 and 2010 are as follows:

December 31, 2011	Trade receivables Related party	Trade receivables Third party	Deposits in banks	Derivative financial instruments
Maximum exposed credit risk as of reporting date [1]	**23,402**	**3,173,486**	**1,132,629**	**2,932**
Secured portion of the maximum credit risk by guarantees, etc,	-	(2,379,314)	-	-
A. Net book value of financial asset either are not due or not impaired	23,402	2,944,983	1,132,629	2,932
- Secured portion by guarantees, etc	-	(2,187,054)	-	-
B. Financial assets with renegotiated conditions	-	29,685	-	-
- Secured portion by guarantees, etc,	-	(26,850)	-	-
C. Net book value of overdue but not impaired financial assets	-	140,562	-	-
- Secured portion by guarantees, etc,	-	(106,980)	-	-
D. Net book value of the impaired assets	-	58,256	-	-
- Overdue (Gross book value)	-	151,835	-	-
- Impairment (-)	-	(93,579)	-	-
- Secured portion of the net value by guarantees, etc.	-	(58,376)	-	-

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Trade receivables		Deposits	Derivative
	Related	Third	in	financial
December 31, 2010	**party**	**party**	**banks**	**instruments**
Maximum exposed credit risk as of reporting date [1]	**22,869**	**2,314,170**	**1,286,384**	**1,185**
Secured portion of the maximum credit risk by guarantees, etc,	-	(1,725,492)	-	-
A. Net book value of financial asset either are not due or not impaired	22,869	2,098,900	1,286,384	1,185
- Secured portion by guarantees, etc	-	(1,559,134)	-	-
B. Financial assets with renegotiated conditions	-	21,387	-	-
- Secured portion by guarantees, etc,	-	(20,108)	-	-
C. Net book value of overdue but not impaired financial assets	-	148,556	-	-
- Secured portion by guarantees, etc,	-	(101,196)	-	-
D. Net book value of the impaired assets	-	45,327	-	-
- Overdue (Gross book value)	-	155,938	-	-
- Impairment (-)	-	(110,611)	-	-
- Secured portion of the net value by guarantees, etc.	-	(45,054)	-	-

(1) Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality

a) Credit quality of financial assets which are not overdue and not impaired

	December 31, 2011	December 31, 2010
Group 1	10,458	10,045
Group 2	2,917,628	1,940,405
Group 3	69,984	192,706
	2,998,070	**2,143,156**

Group 1 - New customers (customers for a period less than three months).
Group 2 - Existing customers with no defaults in the past (customers for a period of more than three months).
Group 3 - Existing customers with some defaults in the past of which were fully recovered.

b) Aging analysis of the receivables which are overdue but not impaired

	December 31, 2011	December 31, 2010
0-1 month	100,241	74,712
1-3 months	22,109	27,378
3-12 months	10,995	29,305
1-5 years	7,217	17,161
	140,562	**148,556**

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Geographical concentration of the trade receivables

	December 31, 2011	December 31, 2010
Turkey	1,758,175	1,384,018
Europe	986,444	711,907
Other	452,269	241,114
	3,196,888	**2,337,039**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations performed using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is aimed to be controlled under certain limits.

Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilising forward foreign currency transactions.

The Group used derivative financial instruments in forms of foreign exchange forward contracts and options, which are designated as a cash flow hedge against the foreign currency risk in the cash outflows expected during the acquisition of subsidiary.

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the translation of net assets of part of the subsidiaries operating in Europe from Euro to Turkish Lira. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2011, a portion of bank borrowings in Euro amounting to EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2010 – EUR 87,500,000).

Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	December 31, 2011	December 31, 2010
Assets	1,762,858	1,362,205
Liabilities	(2,496,757)	(1,586,420)
Net balance sheet position	**(733,899)**	**(224,215)**
Net position of derivative financial instruments	340,290	131,932
Net foreign currency position	**(393,609)**	**(92,283)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2011 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	AED	TRY Equivalents
Current assets											
Trade receivables	344,250	79,315	98,398	1,380,711	50,831	57,369	2	151,136	-	9,657	1,438,098
Monetary financial assets	14,406	1,857	6	100,001	48	-	81	-	-	-	44,598
Other	15,385	43,504	49	-	-	-	-	-	-	-	119,916
Non-Current assets											
Trade receivables	-	-	-	-	-	-	-	-	684,258	-	160,246
Total assets	**374,041**	**124,676**	**98,453**	**1,480,712**	**50,879**	**57,369**	**83**	**151,136**	**684,258**	**9,657**	**1,762,858**
Current liabilities											
Trade payables	97,852	76,719	1,127	-	-	-	-	87,599	-	-	411,178
Financial liabilities	295,363	1,243	204	-	-	-	-	-	4,258	-	725,748
Other monetary financial liabilities	2,324	2,846	-	-	-	-	-	-	-	-	11,055
Non-Current liabilities											
Trade payables	-	37,344	-	-	-	-	-	-	-	-	70,539
Financial liabilities	300,044	127,000	50,000	-	-	-	-	-	680,000	-	1,278,237
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**695,583**	**245,152**	**51,331**	**-**	**-**	**-**	**-**	**87,599**	**684,258**	**-**	**2,496,757**
Net balance sheet position	**(321,542)**	**(120,476)**	**47,122**	**1,480,712**	**50,879**	**57,369**	**83**	**63,537**	**-**	**9,657**	**(733,899)**
Off-balance sheet derivative financial assets (*)	152,643	132,837	-	100,000	-	-	-	-	-	-	629,759
Off-balance sheet derivative financial liabilities (*)	(8,000)	(3,123)	(35,000)	(1,650,000)	(48,000)	-	-	(145,000)	-	-	(289,469)
Net position of off-balance sheet items	144,643	129,714	(35,000)	(1,550,000)	(48,000)	-	-	(145,000)	-	-	340,290
Net foreign currency asset/ (liability) position	**(176,899)**	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**	**(81,463)**	**-**	**9,657**	**(393,609)**

(*) Total amount designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation is included in off balance sheet derivative assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net foreign currency positions against the functional currencies are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	AED	TRY Equivalents
Against TRY	(177,328)	18,434	7,250	(69,288)	1,836	57,689	84	6,136	9,657	(368,202)
Against EUR	-	372	-	-	1,043	(320)	-	-	-	1,249
Against RUB	336	1,783	-	-	-	-	-	-	-	4,189
Against PLN	(1,593)	9	-	-	-	-	-	-	-	(3,876)
Against GBP	4,797	-	-	-	-	-	-	-	-	11,723
Against RON	(789)	3,062	2,502	-	-	-	-	-	-	11,154
Against CZK	(3,038)	-	-	-	-	-	-	-	-	(7,424)
Against NOK	414	-	-	-	-	-	-	(87,599)	-	(22,833)
Against SEK	392	(1,058)	-	-	-	-	(1)	-	-	(1,040)
Against CNY	1,491	(9,593)	2,370	-	-	-	-	-	-	(7,563)
Against ZAR	(1,575)	(3,771)	-	-	-	-	-	-	-	(10,972)
Other	(6)	-	-	-	-	-	-	-	-	(14)
	(176,899)	**9,238**	**12,122**	**(69,288)**	**2,879**	**57,369**	**83**	**(81,463)**	**9,657**	**(393,609)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2010 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	AED	TRY Equivalent
Current assets								
Trade receivables	307,380	94,216	90,032	990,326	30,984	1,414	3,956	1,058,679
Monetary financial assets	41,075	64,955	1	30	410	6	-	184,806
Other	26,994	40,678	27	-	879	-	-	118,720
Total assets	**375,449**	**199,849**	**90,060**	**990,356**	**32,273**	**1,420**	**3,956**	**1,362,205**
Current liabilities								
Trade payables	113,980	97,786	150	-	-	-	-	385,091
Financial liabilities	191,390	312	191	-	-	-	-	393,115
Other monetary financial liabilities	9,120	2,915	699	-	-	-	-	24,865
Non-current liabilities								
Trade payables	-	41,191	-	-	-	-	-	63,681
Financial liabilities	216,701	100,000	50,000	-	-	-	-	718,072
Other monetary financial liabilities	-	-	668	-	-	-	-	1,596
Total liabilities	**531,191**	**242,204**	**51,708**	**-**	**-**	**-**	**-**	**1,586,420**
Net balance sheet position	**(155,742)**	**(42,355)**	**38,352**	**990,356**	**32,273**	**1,420**	**3,956**	**(224,215)**
Off-balance sheet derivative financial assets (*)	115,827	15,374	-	14,200	5,200	-	-	264,513
Off-balance sheet derivative financial liabilities	(1,657)	-	(35,000)	(650,000)	(25,000)	-	-	(132,581)
Net position of off-balance sheet items	114,170	15,374	(35,000)	(635,800)	(19,800)	-	-	131,932
Net foreign currency asset/ (liability) position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

Net foreign currency positions against the functional currencies are as follows:

	EUR	USD	GBP	RUB	PLN	RON	AED	TRY Equivalent
Against TRY	(24,361)	(14,304)	(943)	354,556	11,182	1,420	3,956	(48,345)
Against EUR	-	398	-	-	1,291	-	-	1,283
Against RUB	(37)	(6,848)	-	-	-	-	-	(10,663)
Against PLN	(1,528)	(30)	-	-	-	-	-	(3,177)
Against GBP	3,622	-	-	-	-	-	-	7,422
Against other currencies	(19,268)	(6,197)	4,295	-	-	-	-	(38,803)
Net foreign currency position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

(*) Total amount designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation is included in off balance sheet derivative assets.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2011, sensitivity analysis of foreign exchange rate tables is presented below:

	Gain/Loss		**Equity**	
	Foreign exchange appreciation	**Foreign Exchange Depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(22,757)	22,757	(22,757)	22,757
Secured portion from USD risk (*)	24,502	(24,502)	24,502	(24,502)
USD net effect	**1,745**	**(1,745)**	**1,745**	**(1,745)**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(49,252)	49,252	(62,146)	62,146
Secured portion from EUR risk (*)	6,022	(6,022)	35,348	(35,348)
EUR net effect	**(43,230)**	**43,230**	**(26,798)**	**26,798**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	13,745	(13,745)	33,045	(33,045)
Secured portion from GBP risk (*)	(10,210)	10,210	(10,210)	10,210
GBP net effect	**3,535**	**(3,535)**	**22,835**	**(22,835)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	8,610	(8,610)	23,367	(23,367)
Secured portion from RUB risk (*)	(9,013)	9,013	(9,013)	9,013
RUB net effect	**(403)**	**(403)**	**14,354**	**14,354**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	28,237	(28,237)
Secured portion from RON risk (*)	-	-	- -	
RON net effect	**-**	**-**	**28,237**	**(28,237)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	2,810	(2,810)	5,443	(5,443)
Secured portion from PLN risk (*)	(2,651)	2,651	(2,651)	2,651
PLN net effect	**159**	**(159)**	**2,792**	**(2,792)**
+/-10% fluctuation of CZK rate				
CZK net asset/liability	549	(549)	1,117	(1,117)
Secured portion from CZK risk (*)	-	-	-	-
CZK net effect	**549**	**(549)**	**1,117**	**(1,117)**
+/-10% fluctuation of NOK rate				
NOK net asset/liability	3	(3)	123	(123)
Secured portion from NOK risk (*)	-	-	-	-
NOK net effect	**3**	**(3)**	**123**	**(123)**
+/-10% fluctuation of SEKrate				
SEK net asset/liability	1,730	(1,730)	2,422	(2,422)
Secured portion from SEK risk (*)	(3,947)	3,947	(3,947)	3,947
SEK net effect	**(2,217)**	**2,217**	**(1,525)**	**1,525**
+/-10% fluctuation of ZAR rate				
ZAR net asset/liability	-	-	39,614	(39,614)
Secured portion from ZAR risk (*)	-	-	-	-
ZAR net effect	**-**	**-**	**39,614**	**(39,614)**
+/-10% fluctuation of AED rate				
AED net asset/liability	499	(499)	499	(499)
Secured portion from AED risk (*)	-	-	-	-
AED net effect	**499**	**(499)**	**499**	**(499)**
+/-10% fluctuation of AUD rate				
AUD net asset/liability	-	-	104	(104)
Secured portion from AUD risk (*)	-	-	-	-
AUD net effect	**-**	**-**	**104**	**(104)**
	(39,360)	**39,360**	**83,097**	**(83,097)**

(*) Includes impact of derivative financial instruments.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2010, sensitivity analysis of foreign exchange rates tables is presented below:

	Gain/Loss		Equity	
	Foreign exchange appreciation	**Foreign Exchange Depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,548)	6,548	(6,548)	6,548
Secured portion from USD risk (*)	2,377	(2,377)	2,377	(2,377)
USD net effect	**(4,171)**	**4,171**	**(4,171)**	**4,171**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(17,569)	17,569	(20,396)	20,396
Secured portion from EUR risk (*)	9,051	(9,051)	23,395	(23,395)
EUR net effect	**(8,518)**	**8,518**	**2,999**	**(2,999)**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	9,161	(9,161)	20,928	(20,928)
Secured portion from GBP risk (*)	(8,360)	8,360	(8,360)	8,360
GBP net effect	**801**	**(801)**	**12,568**	**(12,568)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	4,975	(4,975)	17,784	(17,784)
Secured portion from RUB risk (*)	(3,194)	3,194	(3,194)	3,194
RUB net effect	**1,781**	**(1,781)**	**14,590**	**(14,590)**
+/-10% fluctuation of RON rate				
RON net asset/liability	67	(67)	21,682	(21,682)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**67**	**(67)**	**21,682**	**(21,682)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,670	(1,670)	3,512	(3,512)
Secured portion from PLN risk (*)	(1,024)	1,024	(1,024)	1,024
PLN net effect	**646**	**(646)**	**2,488**	**(2,488)**
+/-10% fluctuation of AED rate				
AED net asset/liability	168	(168)	168	(168)
Secured portion from AED risk (*)	-	-	-	-
AED net effect	**168**	**(168)**	**168**	**(168)**
	(9,226)	**9,226**	**50,324**	**(50,324)**

(*) Includes impact of off- balance sheet derivative financial instruments

Import and exports performed to / from Turkey for the year ended as of December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	832,758,148	1,961,295	800,371,489	1,588,198
USD	232,512,373	384,625	330,241,694	496,716
GBP	226,960,417	613,175	216,400,746	501,010
Other		309,499		126,341
Total exports		**3,268,594**		**2,712,265**
EUR	407,980,902	948,152	372,153,519	738,393
USD	807,889,674	1,357,796	675,378,575	1,012,140
GBP	897,526	2,448	604,818	1,400
Other		9,383		13,812
Total imports		**2,317,779**		**1,765,745**

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital,

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt,

The gearing ratios at December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Total financial liabilities (Note 7)	3,157,180	2,057,292
Less: Cash and cash equivalents (Note 5)	(1,173,889)	(1,317,166)
Net financial liabilities	1,983,291	740,126
Total shareholders' equity	3,651,641	3,407,734
Total capital invested	**5,634,932**	**4,147,860**
Gearing ratio	**35%**	**18%**

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

Financial Liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term.

As of December 31, 2011 the carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY 2,078,684 (2010: TRY 1,457,740) (Note 7) and TRY 2,094,429 (2010: TRY 1,461,635), respectively.

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NOTE 33 - FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31, 2011 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	2,932	
Financial assets	-	491,376	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	195	-

Fair value hierarchy table as at December 31, 2010 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	1,185	
Financial assets	-	658,679	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	239	-

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NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements,

"Changes in provisions" and "Changes in operating assets and liabilities" presented in the consolidated statements of cash flows are as follows:

	2011	2010
Changes in provisions:		
Accrual for customer premiums	53,442	(15,092)
Warranty provision	32,010	426
Assembly and transportation provision	6,825	3,841
Accrual for sales and marketing expenses	(8,113)	1,226
Accrual for bonuses and premiums	(4,066)	5,216
Provision for doubtful receivables	23,326	19,882
Provision for employment termination benefits	6,070	14,365
Provision for impairment on inventories	2,182	5,909
	111,676	**35,773**
Change in operating assets and liabilities:		
Trade receivables and due from related parties	(751,682)	(119,656)
Inventories	(456,618)	(86,649)
Other current assets and liabilities	(12,162)	15,765
Other non-current liabilities	274	(3,254)
Trade payables and due to related parties	219,570	202,861
	(1,000,618)	**9,067**

NOTE 35- EVENTS AFTER BALANCE SHEET DATE

Due to approvals from local authorities, purchase of 100% shares of Defy (Botswana) (Proprietary) Limited ("Defy Botswana") has been completed in January 31, 2012. Defy Botswana's main line of business is sale of durable goods in Botswana.

Call Centers

ARÇELİK
444 0 888

BEKO
444 1 404

BLOMBERG
444 2 808

ALTUS
444 0 888

GRUNDIG
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